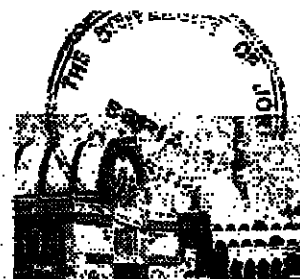


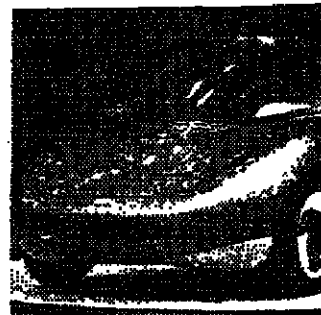
**Yugoslavia**  
The betrayal of  
Bosnia  
Page 3

**Adidas**  
Pentland takes up  
the baton  
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**FT Traveller**  
Dubai  
Section III

**A new steam age**  
Hydrogen power on  
the road  
Page 9



# FINANCIAL TIMES

Wednesday July 8 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

## KIO's principal Spanish company may face default

The Kuwait Investment Office's main Spanish holding company, Torres, is in danger of defaulting on a \$100m (£62m) convertible bond, should Torres' large chemicals affiliate, Ercros, price sheet with a decision last week to file for protection from its creditors.

The Eurobond, issued in 1988, is guaranteed by Torres, which owns 40 per cent of Ercros. "If Ercros files for protection, it could well trigger a default," said David Norris, a director of the Law Debenture Trust Corporation, trustee of the bonds. Page 14

**Wall Street** Blue chip stocks were marked down substantially as a result of uncertainty over prospective second-quarter corporate earnings figures. The Dow Jones industrial average ended 44.03 points lower, at 3,286.17, based on early and unofficial data. Page 38

**Sanyo Electric**, Japanese electronics company, has filed anti-trust and breach of contract suits in the US against Texas Instruments, US semiconductor maker, following the breakdown of year-long negotiations over a semiconductor cross-licence agreement. Page 14

**Note of protest struck over Queen**

The design of a new plastic-coated Australian \$5 banknote has stirred opposition in Australia. The new note, held above left by David Wallace of a Sydney coin exchange, replaces the design featuring Caroline Chisholm (below), a 19th century Australian social worker. Gordon Andrews, designer of the original note, said the new design could "look a little bit silly" in a few years if Australia becomes a republic.

**Born tax revisions** Germany's taxation reform programme has advanced further with agreement on a scheme for a 30 per cent withholding tax on investment income, to take effect at the start of 1993. Page 14

**Anglian Group**, UK double glazing company, became the latest victim of nervous stock markets when the public took up only 6 per cent of shares on offer to them in the flotation. Page 15; Lex, Page 14

**France Télécom**, state-owned telecommunications company, is in talks with two of Europe's main computing services companies which could lead to it taking a stake in either or both. Page 15

**UK's new defence policy** Britain set out its post Cold War defence strategy in a document designed to allow it to respond to a threat anywhere in the world, not just in Europe. Page 7

**British Airways** appears to be closer to achieving its long-term ambition of linking up with a large US carrier and increasing its penetration of the American market after talks with USAir. Page 18; JAL may cut routes, Page 19

**UN inspectors blocked** Iran barred UN inspectors from its agriculture ministry for a third day in defiance of a Security Council demand under the Gulf war ceasefire. The inspectors want to search the building for documentation on Iraqi ballistic missiles, according to diplomats.

**GEC's strategy put to the test**

Britain's General Electric Company built a ring of joint ventures around itself in 1989 when it was threatened by takeover. Now generating a third of group turnover, they make it extremely unlikely it will ever be broken up. But is there a risk of GEC dissolving gently as it loses control to partners with stronger management, international market positions or technology? Part Three of a series, Page 10

**Anger over planned US imports curbs**

American car importers and foreign carmakers attacked legislation to be discussed today which would force Japan to negotiate a quota of 1.65m units or face US retaliation. Page 5

**Euro-ruling backs UK government**

The European Court ruled that British men could legally be required to pay social security contributions for longer than women. Page 7

**Bowler fined** Pakistan bowler Aqib Javed was fined half his match fee and team manager Imtiaz Khan reprimanded as a result of dissent in the third Cornhill Test match at Manchester. The game with England ended in a draw.

**STOCK MARKET INDICES**

FT-SE 100	2,883.7	(+84.7)
DAX	1,120.85	(-4.26)
FT-A All-Share	1,188.87	(+0.38)
FT-A World Index	138.86	(-0.58)
Nikkei	15,458.55	(-197.52)
New York		
Dow Jones Ind Ave	3,286.17	(-44.03)
S&P Composite	469.19	(-4.68)

**US CLOSING RATES**

Federal Funds	2 1/4%	(3 1/4%)
3-mo Treas Bill: Yld	2.25%	(2.25%)
1-yr Bond	7.85%	(7.85%)
Yield	7.85%	(7.85%)

**LONDON MONEY**

3-mo Interbank	10 1/8%	(10 1/8%)
Libor 6m	8 1/2%	(8 1/2%)
Libor 12m	8 1/2%	(8 1/2%)
3-mo US\$	5 1/2%	(5 1/2%)
3-mo UK\$	5 1/2%	(5 1/2%)

**STERLING**

New York	\$ 1.8532	(1.911)
London	\$ 1.8532	(1.911)
DM	2.885	(2.885)
FF	2.7125	(2.7225)
Sfr	2.285	(2.287)
Y	228.5	(237.75)
E Index	93.9	(92.9)

**DOLLAR**

New York	DM 1.4885	(1.5125)
DM	6.016	(5.094)
FF	1.3498	(1.355)
Sfr	1.2485	(1.24325)
Y	1.488	(1.513)
DM	5.0425	(5.095)
Sfr	1.347	(1.3545)
Y	124.4	(124.5)
S Index	80.5	(80.5)

**TELECOM**

Austria	Scs30	Hungary	Flr192	Malta	Mal155	S.Arabia	SAR100
Belgium	Bel100	Ireland	IRL180	Morocco	MAR111	Singapore	S\$4.10
Denmark	DKK14	India	Rs20	Neth	Fl 3.50	Spain	Pas200
Cyprus	CY100	Indonesia	Rp2000	Nigeria	Nai200	Sweden	SKr14
Czech	Kcs20	Israel	Shs100	Sri Lanka	LKR150	Switzerland	Sfr100
Denmark	DKK14	Italy	L1200	Oman	ORI 20	Thailand	Thb50
Egypt	Egy10	Jordan	JOD10	Pakistan	Pak100	Tunisia	Tun1000
Finland	Finn100	Korea	Won200	Philippines	Php45	Turkey	TL1000
France	FFr100	Kuwait	KWD100	Poland	PLN100	UAE	AED100
Germany	DM100	Lebanon	LB100	Portugal	Esc200	Brazil	R\$100
Greece	Dr200	Lux	Lfr100	Qatar	QR100		

## Saudis shake silver market with sale of 600 tonnes

By Kenneth Gooding, Mining Correspondent, in London

THE National Commercial Bank of Jeddah, Saudi Arabia's sole private bank and one with close ties to the royal family, sold at least 20m troy ounces - or 622 tonnes - of silver, worth about \$80m, in only two hours yesterday.

Traders linked the huge sale with yesterday's announcement of the resignation of Sheikh Khalid bin Mahfouz, the Saudi bank's deputy general manager and chief operating officer, who was indicted in the US last week

on charges related to the collapsed Bank of Credit and Commerce International.

The metal sold was equivalent to about 5 per cent of annual worldwide demand for silver.

At one stage, the silver price in London was driven down from \$4.06 an ounce to \$3.82, its lowest level so far this year. The turmoil in Europe was reflected in futures trading on the New York

Commodity Exchange, where the most active September silver contract was down 21.8 cents an ounce at one point at \$3.835. Prices recovered slightly later and silver closed in London at

\$3.87 an ounce.

Sheikh Khalid and a London-based associate were charged by a US grand jury less than a week ago with scheming to defraud depositors, regulators and auditors of BCCI.

Sheikh Khalid has described the charges as "completely unwarranted and without justification".

Announcing yesterday that Sheikh Khalid's resignation had "reluctantly" been accepted, Sheikh Mohammed bin Mahfouz, chairman of the NCB, said: "We are fully confident of Sheikh Khalid's innocence."

Analysts suggested the market would take some time to digest the metal.

Mr Andy Smith, analyst at the Union Bank of Switzerland, recalled that the same bank had hit the gold market in a similar way with large sales in March 1990, when it sold about 100 tonnes of gold, equivalent to about 5 per cent of world supply, and drove the price down by \$20 an ounce to \$368 in a few hours. "It took the gold market several months to settle down after that," Mr Smith pointed out.

Mr Ted Arnold, analyst at Merrill Lynch, said: "So much silver

came back to the market in such a short space of time that it is difficult to see how it can recover."

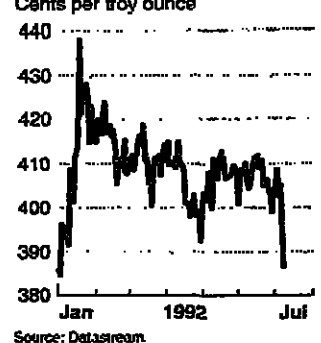
Silver is used mainly by the photographic and electronics industries and demand fell slightly last year to 541m ounces.

Production has fallen far behind demand as mines have closed because of depressed prices. But there are probably 1bn ounces of metal held by investors who were encouraged to buy in 1987 when the price rose above \$7 an ounce.

Saudi banker quits, Page 6

**Silver**

Cents per troy ounce



Source: Datastream

## Western leaders condemn warring factions in former Yugoslavia G7 'would back aid with force'

By Robert Mauthner in Munich

WESTERN leaders warned the warring sides in Bosnia-Herzegovina yesterday that they would be prepared to use military force to ensure humanitarian aid reached Sarajevo, the republic's capital, if the international airlift is endangered.

In one of the most outspoken statements on the crisis in the former Yugoslavia by any international forum, the leaders of the Group of Seven industrialised nations strongly condemned those responsible for the violence. The Serbian leadership and the Serb-dominated Yugoslav army bore the greatest responsibility, they said.

The declaration came as shooting, including tank rounds, erupted in Sarajevo in the worst fighting since a partial ceasefire was agreed last month.

After appealing to all parties in Bosnia not to impede humanitarian aid or endanger the lives of those engaged in the relief operation, the G7 leaders said: "Should these efforts fail due to an unwillingness of those concerned to fully co-operate with the United Nations, we believe the Security Council will have to consider other measures, not excluding military means, to achieve its humanitarian objectives."

The special declaration on Yugoslavia made clear the Sarajevo airlift could only be the beginning of a larger humanitarian effort on the transport of aid by road to Sarajevo and other needy parts of Bosnia-Herzegovina must also be guaranteed.

Although all subscribed to the declaration, the G7 members differ in willingness to contemplate force. France is in the forefront of those believing a military effort will be required and President Francois Mitterrand has been putting forward various ideas to his colleagues on how it could be organised.

One is that a combined force of troops from the UN and the nine-nation Western European Union should ensure the safety of aid convoys, operating under a new mandate of the UN Security Council. An ad hoc group of WEU officials has been considering contingency plans for operations in the former Yugoslavia and a special meeting of WEU foreign ministers is due to discuss the situation in the margin of the summit of the Conference on Security and Co-operation in Helsinki this week.

The US has been much more circumspect. Mr James Baker,



Hungry inhabitants of Sarajevo show their identity cards to police manning a relief distribution point yesterday

the US secretary of state, said yesterday that it was obvious that humanitarian supplies had to go in by land as well as air, but stressed it was "unlikely" the US would send in ground forces to provide protection for trucks.

While the US has made clear that it is prepared to use military aircraft and naval ships to ensure the safety of the aid airlift and any future land convoys, it would leave the provision of ground forces to "other countries", according to General Brent Scowcroft, President George Bush's national security adviser.

Britain has been "at the cautious end of the spectrum", in the words of Mr Douglas Hurd, the foreign secretary. But even Mr Hurd, while categorically ruling out the use of British ground troops, was forced to admit that the humanitarian aid airlift was a "risky and dangerous" operation.

However, British officials, like their American counterparts, consider there are enough other countries which would volunteer to provide ground forces.

The declaration raised the prospect of transforming the European Community's peace conference chaired by Lord Carrington into a wider international conference under joint EC-UN auspices.

Lord Carrington will fly to New York later this week in line with the G7's desire that there should be close consultations between the EC conference, the UN and the other parties concerned with the Yugoslav crisis. Mr Hurd, in his role as current president of the EC Council of Ministers, will visit Sarajevo, Belgrade, Zagreb, Ljubljana, Tirana and Skopje next week.

The Munich Summit, Page 2  
The betrayal of Bosnia, Page 3  
Editorial Comment, Page 20

## French truckers reach accord

By William Dawkins in Paris

FRENCH lorry drivers' representatives accepted an outline accord on pay and working conditions yesterday, but vowed to keep up the pressure on the government in their nine-day stoppage.

The move, which comes as some of the barricades are being dismantled, is a significant climb-down by lorry drivers' organisations in the face of the government's determination to hold on to the principle of tough new licence regulations. Under the new rules drivers could be hanged if they clock up six penalty

points. However, the organisations added that this was only the start of negotiations.

Progress was slow in clearing the blockades which have left thousands of motorists and foreign lorry drivers stranded. By the early afternoon the government reported that more than a third of the roadblocks had been lifted, though sporadic fresh protests broke out in new areas.

Farmers blocked trains in the Loire valley, in protest against supply shortages and European Community agriculture policy reforms.

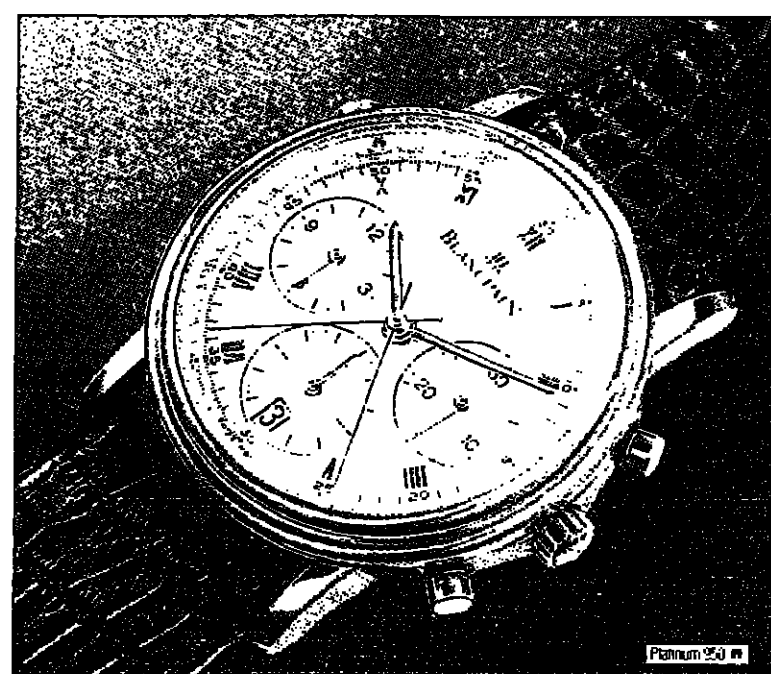
The two main professional bodies, FNTR and Unotra, yesterday called on lorry drivers to abandon their barricades, but to continue to strike.

The shift from open anarchy to the first stages of negotiation came as a result of an overnight meeting between the government, unions and the two main driver employers' organisations to draft plans to soften the impact of the new rules, which came into effect on July 1.

Truck drivers argued that the rules would put many of them out of work because they could not avoid breaking the law on the

Continued on Page 14  
France's shortages grow, Page 4

**BLANCPAIN**



The chronograph with split second hand

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## NEWS: THE MUNICH SUMMIT

EC farm subsidies remain stumbling block

## Major fails to revive trade talks

By Peter Norman in Munich and David Dodwell in London



THE high-risk bid by Mr John Major, British prime minister, to revitalise the Uruguay Round of trade liberalisation talks failed yesterday.

British officials had insisted the prime minister would take up the issue of the stalled trade talks vigorously in bilateral talks with France's President François Mitterrand yesterday afternoon. In the end, however, Mr Major said nothing, after the French president made it clear he would not support any breakthrough during the Munich summit.

Even before he met Mr Mitterrand, Mr Major's proposals to break the deadlock had been frustrated. UK officials who had appeared optimistic on Monday evening were visibly downcast 12 hours later. The stumbling block remained the dispute between the EC and the US on cutting Community subsidies to farm trade.

Talks early yesterday between US President George Bush and Mr Jacques Delors, EC Commission president, failed to advance the issue significantly. "No substantial progress was made," a Commission spokesman reported.

"If anyone was expecting a breakthrough this morning, it did not happen."

The meeting between the two presidents and their senior officials was the culmination of 36 hours of feverish efforts to push the farm trade talks to a successful conclusion.

The top-level politicking on trade started on Sunday night at a working dinner attended by Presidents Bush and Mitterrand - well before the formal start of the summit. This was at odds with widespread official advice before the summit that the issue was too complex to unravel while leaders were meeting under such a powerful spotlight.

The Uruguay Round was raised again at a bilateral meeting on Monday between Chancellor Helmut Kohl of Germany and Mr Bush. Hopes

rose after the German government spokesman reported that the two leaders had agreed negotiations on trade reform should be continued with vigour and that the two sides were closer than many people thought.

Also on Monday, Mr Douglas Hurd, UK foreign secretary and current chairman of the EC council of ministers, met Mr Frans Andriessen, the Community's external affairs commissioner, and Mr James Baker, US secretary of state. The three agreed there was a need to reach a breakthrough to end the current blockage.

Mr Hurd's judgment -

## RESOLUTION FROM LAST YEAR'S SUMMIT

"No issue has more far-reaching implications for the future prospects of the world economy than the successful conclusion of the Uruguay Round... The aim of all contracting parties should be to complete the Round before the end of 1991. We shall remain personally involved in this process, ready to intervene with one another if differences can only be resolved at the highest level." London, July 1991

wrong in the end - was that the US and EC were geared up to take advantage at once of a "political push" in the talks. Mr Major's move was Britain's attempt to provide that push.

Details of Mr Major's proposals remain obscure. It is thought he proposed extending beyond the six years proposed by Mr Arthur Dunkel, Gatt secretary-general, the period over which EC farm subsidies should be substantially reduced. He also suggested less radical cuts in the volume of the EC's subsidised farm exports than the 24 per cent proposed in the Dunkel plan.

These ideas - which had been discussed at official level for several weeks without success - would have involved some easing of positions adopted by the big industrialised countries represented at the summit, in particular France and Germany.

The ideas were welcomed by the US but barely acknowledged by France, the EC's biggest food exporter, which insisted instead that the US should respond positively to recent reforms of the EC common agricultural policy. While French opposition effectively buried any hope of a breakthrough, the UK made clear it would continue to press for progress on the Uruguay Round and would be seeking strong language in today's final summit communiqué.

Mr Major's initiative was always risky. Officials from most G7 countries had warned that Munich was not the place to expect a breakthrough on farm trade, partly because of the September 20 French referendum on the Maastricht treaty. The warning signs were clear when, in the middle of last week, officials abandoned a 10-day push to find a basis for settlement ahead of the summit.

Nonetheless, Mr Major insisted that trade reform was his "number one priority at the summit," driven perhaps by a desire to put an early British stamp on the EC presidency.

He won some applause for his efforts.

Officials from several delegations suggested that the differences among the G7 countries were not great. Mr Theo Waigel, German finance minister, said the protagonists were much closer than at last year's summit in London. One senior EC official said all that was lacking was the political will to reach a settlement.

British officials were left putting a brave face on the prime minister's initiative. But they were unable to hide their disappointment that the Munich summit had failed to make progress on an agreement that could stimulate world growth and benefit industrialised, developing and former communist countries alike.

Now leaders face the embarrassing task of drafting a summit communiqué in which commitments to agree the Uruguay Round sound credible. Given their forceful calls both last year and in 1990 for an early settlement of the Round, this will be an unenviable task.



Drinking partners: German finance minister Theo Waigel (left) enjoys a Bavarian wheat beer with Nicholas Brady, his US counterparty, during a sausage breakfast on the second day of the G7 summit yesterday

## International co-operation sought

By Robert Mauthner in Munich

LEADERS of the world's seven biggest industrial democracies yesterday adopted a political declaration proclaiming a new non-confrontational partnership between east and west, including the Asia-Pacific region, and expressing strong support for an enhanced peacekeeping and peace-making role for the United Nations.

Emphasising that the need for international co-operation had been underlined by the instability and conflicts provoked by resurgent nationalism and inter-ethnic tensions, as in Yugoslavia, the declaration also gave a ringing endorsement of the European Community's Maastricht treaty as "a historic step on the way to European union."

"Its implementation will enhance political stability on the European continent and open up new opportunities for co-operation," the declaration said, in a clear attempt to counter the growing public hostility in several EC countries about ratifying the treaty, in the wake of its rejection by the Danish electorate.

Noting that the tasks and responsibilities of the UN had increased dramatically since last year's G7 summit in London, particularly in the field of

crisis prevention, conflict management and the protection of minorities, the seven leaders expressed firm support for the efforts of Mr Boutros Boutros Ghali, the UN secretary-general, to strengthen the world organisation's role in preventive diplomacy and peacekeeping.

But though the declaration described Mr Boutros Ghali's "agenda for peace" proposals,

need to curb the proliferation of nuclear weapons and other weapons of mass destruction and the missiles capable of delivering them. The leaders expressed their firm conviction that "the indefinite extension" of the nuclear Non-Proliferation Treaty (NPT) when it comes up for review in 1995 would be an essential contribution to this process.

Countries not yet party to

western industrialised countries would, in future, be conditional on adherence to the NPT and the adoption of full-scale international Atomic Energy Agency safeguards.

A separate statement issued by the German chairman of the conference said the leaders had also adopted positions on the following subjects:

● Nagorno-Karabakh: they deplored the continued fighting in this region and urged the parties to cease hostilities immediately and to participate in negotiations. "We emphasise that we shall, on no account, recognise facts accomplished by force."

● Iraq: the leaders noted that Iraq still refused to comply with all resolutions of the Security Council without reservation. They said they would continue to demand elimination of all Iraqi weapons of mass destruction and release of all prisoners. It was essential for Baghdad to comply with Security Council resolutions so that food and medical supplies could be distributed on an equitable basis.

● South Africa: the leaders called on all sides to resume negotiations as soon as possible and to make greater efforts to prevent violence. Sustainable economic growth was essential for an enduring solution of the country's problems.

## Need for partnership underlined by conflicts such as that in Yugoslavia

published last week, as "a valuable contribution" to the work of the UN, British officials said G7 governments were still studying his plan for permanent UN standby forces, ready to intervene in conflicts at 24 hours' notice.

Stressing the importance of improved co-operation between the UN and regional organisations such as the Conference on Security and Co-operation in Europe, the leaders called on the CSCE summit in Helsinki later this week to establish a special security forum and to strengthen the organisation's capabilities for conflict prevention, crisis management and peaceful resolution of disputes.

The declaration stressed the

the NPT were urged to join as soon as possible by the leaders. In particular, they looked forward to early adherence to the treaty, as non-nuclear weapons states, by Ukraine, Kazakhstan and Belarus, as well as the other non-Russian states of the former Soviet Union, and said they attached the highest importance to the establishment in the former Soviet Union of effective export controls on nuclear materials and weapons.

Underlining the need for the most effective possible action to safeguard nuclear materials and to prevent the transfer or the clandestine production of nuclear weapons, the declaration warned that the offer of nuclear co-operation by the

## Russia 'must gain control of monetary expansion'

By Peter Norman and Jurek Martin

THE LEADERS of the Group of Seven industrialised democracies will today stress that Russia must gain control over its rapid monetary expansion if it is to avoid hyperinflation and grave social and political instability.

According to officials, they agreed at their summit meeting yesterday to be "friendly but frank" and spell out plainly what the G7 can and cannot do when Russia's President Boris Yeltsin joins the leaders for talks later today.

Mr Yeltsin, who arrived in Munich last night, will not leave empty handed, however. Mr Helmut Kohl, the German chancellor, yesterday underlined that the G7 would provide "help for the Russians to help themselves."

A senior US official said he would take home "a very substantial package" comprising \$1bn (\$521m) in credits agreed with the IMF, a pledge that the G7 will back rescheduling of official debts of \$2.5bn and a further \$1bn to be released by other financial institutions such as the World Bank and the European Bank for Reconstruction and Development.

A Canadian official said the rescheduling would be a "normal" arrangement of the type that the Paris Club of creditor

Russia was pressed yesterday by both the G7 in Munich and the Conference on Security and Co-operation in Europe, meeting in Helsinki, to withdraw its 130,000 troops from Lithuania, Latvia and Estonia, writes our Foreign Staff.

A statement issued for the G7 by Germany said Russia's economic difficulties did not justify keeping its troops on the territory of unwilling countries. A brief CSCE statement called for "an appropriate

balance between the need for countries to provide for nations with debt problems. It would have a five-year grace period with repayments over the following 10 years.

Once rescheduling is agreed, the way would be open for G7 countries to disburse bilateral trade credits to Russia, as part of the \$24bn financial support package announced in April. Altogether, Russia can expect \$11bn in bilateral flows from western industrial countries under the April accord and is thought to have received between \$4bn and \$5bn already. But some promised credits have been held up as a result of growing arrears on existing debts.

According to Mr David Mulford, the US treasury under-secretary for international affairs, it is "possible" that the planned \$6bn rouble stabilisa-

ate bilateral agreement, including timetables, for the early, orderly and complete withdrawal" of the troops.

The three Baltic states have demanded that troops should begin withdrawing immediately and complete an internationally supervised pullout by the end of next year.

Russia says it has nowhere to house those forces and no money to build accommodation and wants to extend the withdrawal until 1998.

However, for that to happen President Yeltsin's government will have to obtain a firm grip on credit growth, inflation and its budget deficit so that the rouble can acquire stability. Russia will also have to regulate financial relations with republics staying in the rouble zone to ensure its monetary policies are not undermined.

Mr John Major, the UK prime minister, is due to start the G7's talks on economic matters with Mr Yeltsin today. In addition to underlining the need for monetary stabilisation, he will stress the importance of structural reforms including privatisation and land reform and provision of a safety net to cope with rising unemployment following closure of uneconomic factories.



George Bush: taking a back seat

## Bush winning few votes with folks back home

By Jurek Martin in Munich

MR NICHOLAS BRADY can be more frank than most. The US Treasury secretary was going through his standard spiel for American journalists about why this summit promoting international economic growth mattered to election year voters back home when he allowed himself what amounts to a confession.

"Has it been well sold? Has that thought been well sold? No," he said. "Has a better job got to be done on it? Yes."

The more political of the White House spin doctors would not normally admit as much, but Mr Brady had put his finger on a problem. Unless some rabbit can be pulled out of the summit hat - and it is hard to see what it will be - the political benefit of President George Bush's attendance here does not appear to be very great.

Mr Bush's presumed edge over Bill Clinton and Ross Perot is experience and competence in foreign policy. This may not be decisive in a year when domestic concerns are paramount, but in a close race every little bit helps.

That was certainly the case on Sunday in Warsaw when he was able to play the role of the popular statesman abroad and back in the warmth of his reception. With 12m Polish Americans back home, the endorsement of President Lech Walesa counts, and the pictures were lovely.

Munich is messier, mostly because the news out of here is essentially indecisive. While it may matter that serious discus-

sions have taken place on Gatt and on Yugoslavia, as well as on the international economy, the inability on all fronts to achieve what can be portrayed as decisive breakthroughs makes the selling of the summit, to apply Mr Brady's words to the geopolitical, that much harder.

Nor, half way through the event, does it appear that Mr Bush has been playing the role of *primus inter pares*. To the extent that initiatives have been evident at all, they have come from Mr John Major and Mr Jacques Delors on Gatt, Mr François Mitterrand on Yugoslavia and Mr Michèle Camdessus, IMF managing director, on his negotiations with the Russians.

Given the intractability of all three issues, Mr Bush may have calculated that to be exposed on any of them would carry more risk than reward. But it has also not helped the presentation of his performance to his domestic audience that the principal conduct, the White House press corps, has been isolated at a remote hotel and fed a diet of thinish, almost defensive, gruel. It has not resulted in favourable coverage.

This is not yet irredeemable, nor, in the greater and longer scheme of things, may it matter. But Mr Bush may recall that since Rambouillet in 1975, two of the three incumbent US presidents who hoped that summits would give them a boost - Gerald Ford in 1976 and Jimmy Carter in 1980 - went on to lose. Ronald Reagan had it easy in 1984, but by the time he got to the London summit he was already home and dry. Mr Bush is not.

## Text of Yugoslav declaration

especially in Bosnia and Herzegovina is unacceptable. We fully endorse the efforts of the international community to provide relief.

We welcome the efforts made in achieving the opening of the airport of Sarajevo and we support actions taken by UNPROFOR (UN protection force) to secure the airport. The blockade of Sarajevo must be lifted and the shelling of the town stopped in order to sustain a comprehensive relief operation.

We express our gratitude to all participants in the airlift to Sarajevo and the supply of its population.

We appeal to all parties in Bosnia and Herzegovina not to imperil the humanitarian effort.

We firmly warn the parties concerned, including irregular forces, not to take any action that would endanger the lives of those engaged in the relief operation.

Should these efforts fail due to unwillingness of those concerned to co-operate fully with the UN we believe the Security Council will have to consider other measures, not excluding military means, to achieve its humanitarian objectives.

The airlift to Sarajevo can only be the beginning of a larger humanitarian effort. Safe access by road to Sarajevo as well as to other parts of Bosnia and Herzegovina in need must be guaranteed.

The needs of the hundreds of thousands of refugees and displaced

persons require further significant financial support. We are willing to contribute and ask others also to make fair contributions.

We underline the need for Serbia and Croatia to respect the territorial integrity of Bosnia and Herzegovina and for all military forces not subject to the authority of the government of Bosnia and Herzegovina to either be withdrawn or disbanded and disarmed with their weapons placed under effective international monitoring.

We call on all parties to prevent the conflict from spreading to other parts of the former Yugoslavia.

We urge the Serbian leadership to respect minority rights in full, to refrain from further repression in Kosovo and to engage in serious dialogue with representatives of Kosovo with a view to defining a status of autonomy according to the draft

convention of the EC conference on Yugoslavia.

Sanctions decided by the UN Security Council in resolution 757 as well as all other provisions of relevant UN resolutions must be fully implemented.

We support the efforts of the UN peacekeeping forces in implementing the UN peace plan for Croatia in all its elements.

We demand that Serbs and Croats extend their full co-operation to the UN peace plan and make every effort to bring the bloodshed in Croatia to an end.

We do not accept Serbia and Montenegro as the sole successor state of the former Yugoslavia. We call for the suspension of the delegation of Yugoslavia in the proceedings of the CSCE and other relevant international fora and organisations.

## MUNICH NOTEBOOK

## Mulroney wins the race to be last

UNLIKELY as it may sound at such an international circus, world summits are still about personal contact, personal chemistry, about leaders getting to know each other.

So body language means something, and the great and good are still not above a little blatant physical point-scoring.

Take Monday night's reception at the Schloss Nymphenburg given by Mr Helmut Kohl. It all began with the leaders arriving one by one at the great stone staircase, solemnly ascending and joining the chancellor on the balcony to wave at what appeared to be a small crowd of loyal retainers, and a band.

As is his wont, President François Mitterrand went to inordinate lengths to arrive last. He turned up a good five minutes after all his colleagues - or so he must have thought. But it was not so. He was beaten for the slot by the smiling Mr Brian Mulroney of Canada, who must have twiddled his thumbs for ages in his hotel suite to win the race to keep the others waiting. Perhaps it was a message for Quebec?

Once on the balcony, witness phase two. As if by magic, all the great leaders somehow managed to squeeze to the front, to wave for the television cameras. All that is, except a man who has shone in Munich for his unusual modesty and shyness - Mr Jacques Delors, president of the European Commission. He was left peeping over Mr Mitterrand's shoulder.

Perhaps it was deliberate, for Mr Delors has also been pretty retiring in the deba- inside the summit. In the first main round on the world economy, he said nothing at all, preferring to let the debate develop. Since then he has kept well out of the firing line.

The same cannot be said for the one man who managed to wheedle his way into that front line on the balcony when he should not have been there: Mr Jürgen Mülleemann, Germany's economics minister and vice-chancellor, and the least important member of Mr Kohl's team.

Just as Mr Delors was spotted on television trying to peer past Mr Mitterrand, Mr Mülleemann could be seen pushing into the picture, just under Mr Kohl's left shoulder. Those who know the man are not surprised.

## Summits are also about meaningful entertainment

Mr Theo Waigel, German finance minister and leader of the Bavarian-based Christian Social Union, knows all about it.

He began his day yesterday with a massive Bavarian breakfast for the press - supposedly an intimate occasion with about 200 mostly German journalists. Pride of place on the menu went to the bawdy Bavarian white sausage, a concoction of veal and herbs, served with sauerkraut, sweet mustard, and even beer, for those feeling strong enough.

Not content with such a sterling start to the day, Mr Waigel turned right round and entertained his fellow finance ministers to an identical meal at 9am. Indeed, his British counterpart, Mr Norman Lamont, found the fare so good that he allegedly went back for second helpings of white sausage. There's no accounting for taste.

Quentin Peel

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## NEWS: EUROPE

# Bosnian carve-up in the making

## Judy Dempsey on why a unitary republic may never emerge

THE declaration at the weekend of a Croatian state within the borders of Bosnia-Herzegovina has prompted fears it could be too late for a unitary republic to emerge from the civil war.

European Community peace efforts in recent months may in fact have played into the hands of Serbia and Croatia, which agreed secretly last year to carve up Bosnia along ethnic lines.

The plan was drawn up in March 1991, by Croatia's President Franjo Tudjman and President Milošević of Serbia. Negotiations were postponed after the federal Yugoslav army, backed by Serbia, invaded Slovenia in June 1991. When the federal army, supported by Serb nationalists, attacked Croatia last July, Zagreb and Belgrade re-started negotiations on Bosnia.

At the time Bosnia's President Alija Izetbegović, said: "Any carve-up of Bosnia would be sheer madness. This republic is an ethnic patchwork. It would lead to a terrible blood-bath."

Bosnia's Croats, then led by Mr Stjepan Kljuić, Bosnia's Moslems, and the Serbs of Sarajevo, keen to maintain the integrity of their multi-ethnic

capital city, pleaded with the EC to send monitors to Bosnia. They also asked the UN to send peacekeeping troops before it became too late to keep the peace.

But Mr Marrack Goulding, the UN's special envoy to the former Yugoslavia, said earlier this year that it was impossible to send peacekeepers. "There was no consensus among the three ethnic groups in Bosnia."

The consensus did not exist for one reason, Bosnia, represented by Mr Radovan Karadžić, leader of Bosnia's Serbian Democratic Party (a sister party of the ruling party in Serbia), persistently blocked any attempt by Bosnia's moderate Moslem, Croat and Serb communities to have UN peacekeepers deployed.

With little prospect of the UN playing any peacekeeping role in Bosnia, Croatia and Serbia used the opportunity to co-operate more closely in dividing the republic.

Last January, for example, President Tudjman intervened in Bosnian politics by replacing the moderate Mr Kljuić, head of Bosnia's Croatian Democratic Union (a sister party of the ruling party in Croatia), with Mr Mate Boban.

Unlike Mr Kljuić, who was

born in Sarajevo and regards himself as a Bosnian, Mr Boban was born in the predominantly Croat region of western Herzegovina.

### EC peace plan may have played into hands of Serbs and Croats

He considers himself a Croat nationalist. Mr Boban's promotion led to closer co-operation with Mr Karadžić.

"We saw what was happening then," said a senior UN official involved in the Sarajevo relief effort. "Although the UN was on the sidelines, we could see why outside Serbs and Croats - unlike the people from Sarajevo and other ethnically mixed cities - did not want us in. It would thwart their plans. It was up to the EC to stop this division. If you want my personal view, the EC's record in Bosnia has been shameful."

Portugal, which took over the EC presidency in January,

tried to tackle the crisis. Under Ambassador Jose Cutileiro, who worked closely with Lord Carrington, chairman of the Yugoslav peace conference, Lisbon drew up a plan for Bosnia-Herzegovina.

The EC March 9 plan was perfect for Zagreb and Belgrade, and for Boban and Karadžić, said a US diplomat. Under it Bosnia-Herzegovina's three leaders would reorganise the republic into three autonomous ethnic units of Moslems, Serbs and Croats. It was left unclear as to how the boundaries of each unit would be drawn. The plan failed to take into account that some areas were so ethnically intertwined that a simple division was not possible.

US and east European diplomats said Mr Izetbegović was pushed into accepting the plan because he did not want to be accused of blocking it. "Essentially, the EC plan gave Croatia and Serbia carte blanche to divide Bosnia," a Hungarian diplomat says.

By the time the EC recognised Bosnia-Herzegovina in April, Serb irregulars and the Serbian-controlled Yugoslav army were blockading Sarajevo airport so as to cut off the capital from the outside world as a

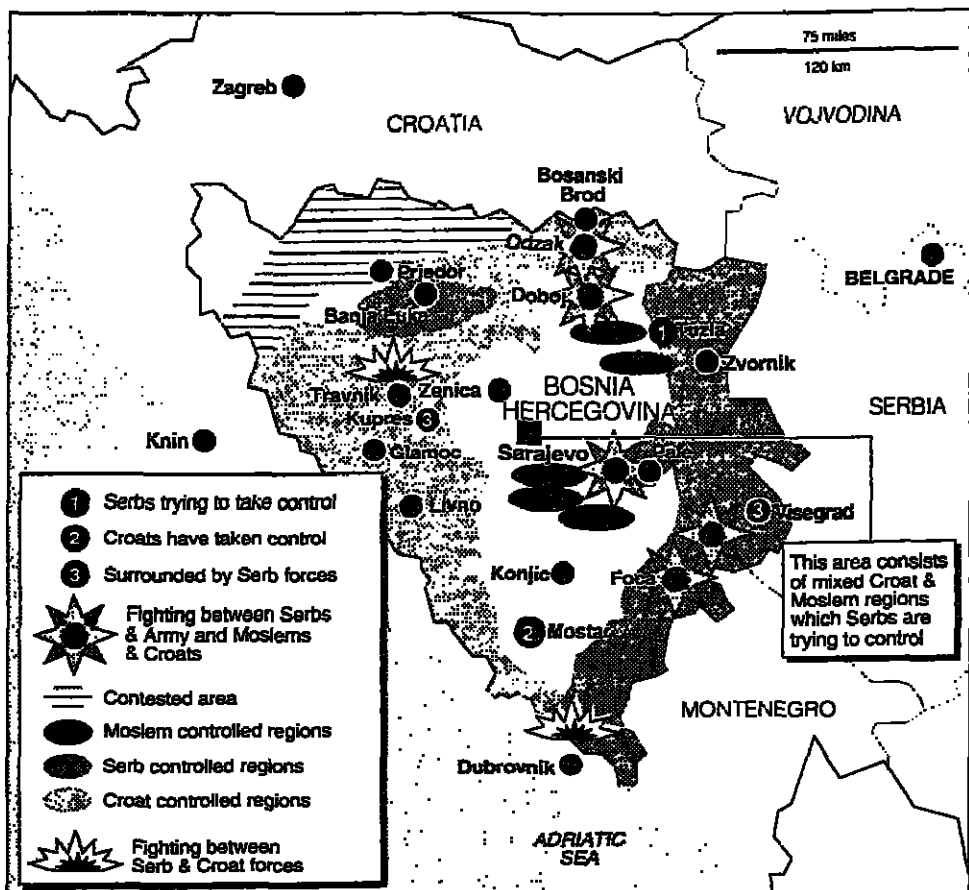
first step in dividing the city. They were also destabilising eastern Bosnia.

Mr Milošević was simultaneously trying to create a corridor across northern Bosnia aimed at linking Serbia with Knin, the self-proclaimed Serbian republic in south-west Croatia.

Croatia was primarily concerned with protecting Croats in western Herzegovina and with the eventual goal of carving out a swathe of territory which would be annexed to Croatia. This strategy is reflected in last weekend's announcement of the Croatian state of Hercegovina. Earlier Mr Karadžić's Serb forces declared several autonomous Serb republics in Bosnia.

"The tragedy of all this is that the people of Bosnia - Moslems, Serbs, and Croats - have lost. Like the people of Sarajevo, they see themselves as Bosnian. They do not want ethnicity or identity imposed on them by outsiders from Croatia, Serbia, or Montenegro," according to a Hungarian diplomat.

"If they choose to be Bosnian, instead of belonging to one ethnic group, they will be forced to choose their ethnicity, or else be killed or forced



to flee," he said.

UN officials, journalists, aid workers and diplomats know precisely what ethnic cleansing entails. The pattern is uniform, and methodical.

Serb forces surround the villages and towns. The citizens are given an ultimatum. Either

they surrender, and as a result are often put into labour camps, deployed in the front line, or used as hostages; or else they flee - if they are lucky.

"I think we, the people of Sarajevo and Bosnia, now realise we are alone," said Mr Mir-

sad Becerovic, a Moslem reporter at Radio Sarajevo. Mr Dragan Miskovic, a Serb editor at the Bosnia-Herzegovina newsagency, says the people of Sarajevo will never allow outsiders to divide their city. "We will never be broken. This is our city. This is our home."

## More turmoil feared in Macedonia

By Laura Silber in Belgrade

POLITICAL TURMOIL in the Balkans worsened last night as the government of the former Yugoslav republic of Macedonia fell after failing to win international recognition for its declared independence.

Collapse of the fragile ruling coalition raises serious questions about the future stability of Macedonia and casts doubt on the political future of President Kiro Gligorov, who has made futile missions abroad to seek diplomatic recognition.

The republic of 2m people - up to 30 per cent of them ethnic Albanians - has strained relations with all four neighbours: Greece, Albania, Serbia and Bulgaria.

Greece in particular has objected to its drive for recognition, fearing the effects on its own ethnic minorities. The EC and US have been reluctant to go against Greece's wishes.

There has also been pressure from the ultra-nationalist VMRO party for closer ties with Bulgaria, although the Bulgarian government yesterday

pledged not to interfere in the Balkans.

There is concern, too, that Macedonia might be destabilised if ethnic Albanians seek closer links with Albania or with ethnic Albanians in Serbia's Kosovo province.

The coalition government collapsed when the republic's parliament passed a vote of no confidence in it by an overwhelming majority. Under the republic's constitution, President Gligorov has 10 days to appoint a new prime minister.

Mr Shobdan Petrovic, editor of Puls, a Skopje weekly, last night said: "The collapse could heighten instability. Mr Gligorov may not be able to appoint a prime minister within the next 10 days."

Macedonia is struggling to cope with the effects of fighting in other former Yugoslav republics, including an influx of 35,000 refugees from Bosnia.

Mr Petrovic said: "In the air we feel the scent of war...but emotions may cool down and people will realise the fall of the government is a Pyrrhic victory."

## Salaries up in Turkey

By John Murray Brown in Ankara

TURKEY yesterday missed another opportunity to stem the inflationary trend of wage settlements, awarding increases to 70,000 civil servants above that budgeted in April.

The six month pay review, with rises of 25-30 per cent, is broadly in line with inflation, now running at close to 70 per cent. However it is unclear how the increase will be financed.

## Investment in Romania up

By Virginia Marsh in Bucharest

DIRECT foreign investment in Romania rose by \$118m (£82m) in the first half of 1992, bringing the total since January 1990 to \$387m, according to figures released yesterday by the Romanian Development Agency.

Foreign investment in the first half of this year more than doubled compared to the corresponding period in 1991. France, Germany and Britain were the top three investors.

## Soviet party asks court to lift ban

By John Lloyd in Moscow

LEADERS of the now banned Communist Party of the Soviet Union, until a year ago the commanding political force in the former Soviet Union, yesterday told the Russian Constitutional Court that a continued ban on their party would overshadow a dictatorship.

The party officials included Mr Vladimir Ivashko, the former deputy general secretary. But Mr Mikhail Gorbachev, the former general secretary, was absent. The officials argued that the banning of the party by President Boris Yeltsin after the attempted coup last August was unconstitutional.

The court ruled that a second suit lodged by Mr Oleg Rumyantsev, a senior Russian deputy, alleging that the party itself was unconstitutional, will be heard separately - in spite of an earlier decision to combine the two actions.

Mr Victor Zorkaitsev, a former party official who represented the party, said the ban

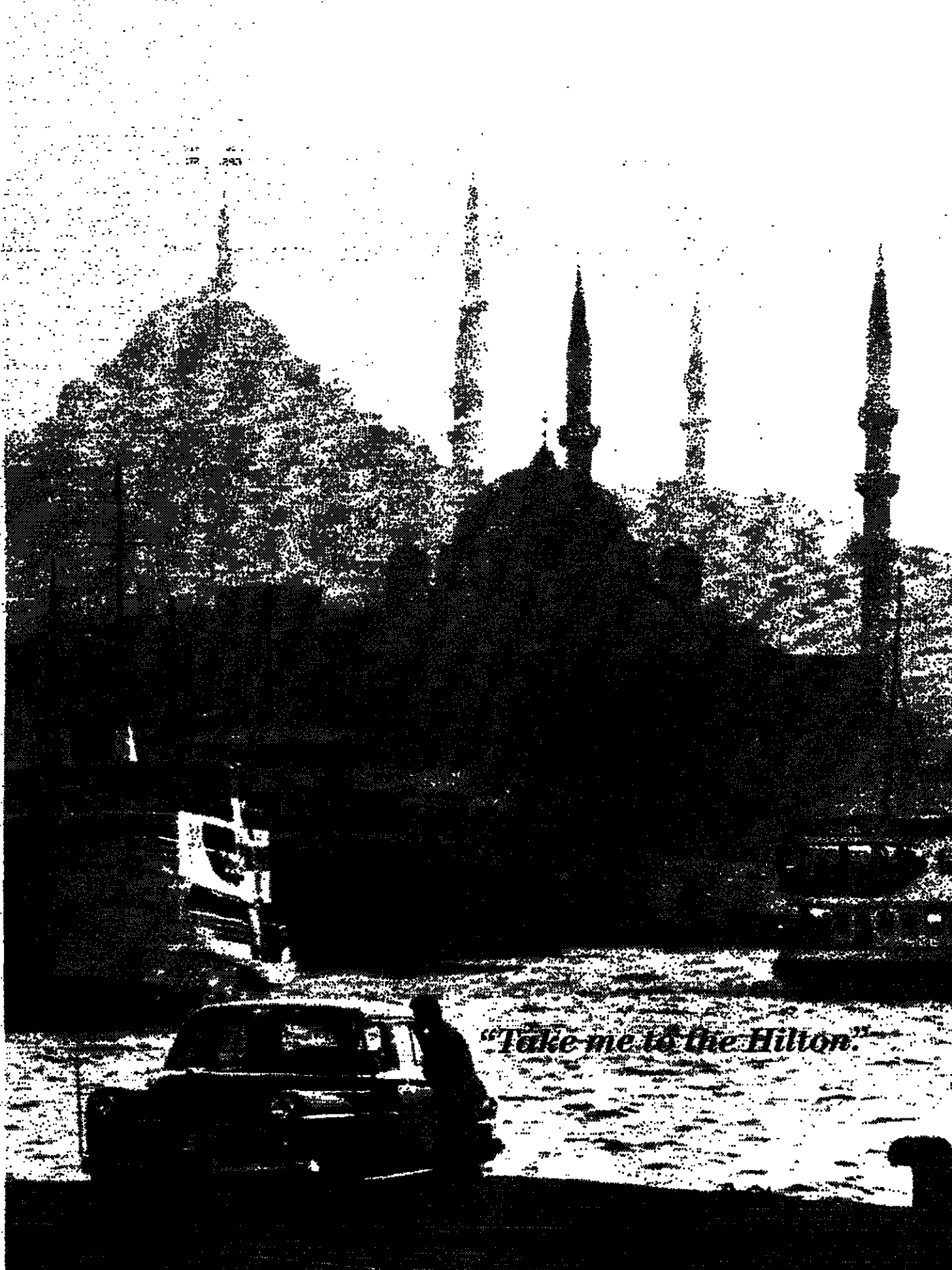
set a precedent which was sure to be used against other political parties and public movements. "A ban on soviets (local councils) will follow that on the party, thus setting the conditions for an authoritarian takeover," he said.

Mr Yeltsin has said that the court might find "certain slip-ups of a procedural nature" in his decrees, but added: "Remember the atmosphere in which these decrees were adopted, and the emotional wave of popular support. It was probably the only course."

● Moldova's parliament yesterday urged deployment of a multinational force to separate warring factions in the breakaway republic of Trans Dniestr, the eastern part of Moldova populated mostly by Russians and Ukrainians.

It said the force should be composed of troops from Russia, Ukraine, Belarus, Moldova, Romania and Bulgaria. Moldova was formerly part of Romania, while 100,000 ethnic Bulgarians live in Moldova.

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## NEWS: EUROPE

# France's siege eases but shortages grow

By William Dawkins and Alice Rawsthorn in Paris

MORE THAN a third of the roadblocks which have paralysed France for the past nine days were lifted by yesterday afternoon, but the economic damage continued to mount.

Truck drivers slowly rolled back their siege as government officials visited the blockades to explain the contents of an accord on pay and conditions, reached by drivers' representatives and the government in the early hours of the morning.

The most vulnerable industries, cars, petrol, food, tourism and chemicals, have already had to make temporary lay-offs, especially in Rhône-Alpes and the south.

Shops were running low on stocks throughout France. The Leclerc chain of supermarkets said its stocks were half as high as usual in fresh fruit and staples, such as sugar and flour. There were fears that worse was to come on the roads as it remained unclear when all the barriers would go,

let alone when truckers would resume deliveries.

The Interior Ministry claimed that 60 blockades, involving 3,200 trucks, out of the original 160 roadblocks had been dispersed by lunchtime. By evening the ministry claimed that all main routes except for one section of the A6 north of Lyon. Violent clashes between truckers and police were reported.

The A1 from Paris to Lille, the main route for traffic from northern Europe and the Channel ports, was fully open in both directions, it said. The A6 from the capital to Beaune in eastern France and the A7 from Lyons towards the Spanish frontier, were also open, said the ministry. Blockades were reported to be disappearing in Brittany.

Progress was slow, as some truckers regrouped to form new barriers elsewhere and others staged *opérations escargot* (go-slows). Business leaders warned that supply shortages could force some companies to close. It was proving impossi-

ble to compensate adequately by shifting to rail and air, said the Conseil National de Commerce. Nice airport had only 24 hours' aviation fuel left.

Renault, the motor group, closed three of its four French assembly plants yesterday morning, though they reopened in the afternoon after fresh supplies arrived. The situation was "literally changing from hour to hour," said Renault. Peugeot stopped two assembly lines and a kit packaging plant in eastern France, employing 17,000 people, and warned that more lay-offs will be needed this morning. Its Citroën subsidiary closed a plant at Aubay, Michelin, the tyre maker, warned employees that lay-offs could come at any time.

Motorway operators said they had lost FF150m (£15.4m) on the main north-south routes alone, while the hoteliers' association estimated that occupancy was down by between 10 and 50 per cent and warned that some chains could face serious cashflow problems.



Empty shelves in a Nice supermarket. The sign reads: 'Please excuse the lack of goods due to the transport strike'.

## Appeal to Brussels on currency charges

By Andrew Hill in Brussels

EUROPEAN Community banks and bureaux de change still charge travellers too much and display insufficient information on exchange rates and fees, according to the European consumers organisation.

The Bureau Européen des Unions de Consommateurs (Beuc) yesterday called on the European Commission to introduce binding legislation to improve cross-border payment systems and ease the establishment of the single market.

The Commission estimates that consumers will save more than Ecu1bn (\$1.35bn) in bank charges annually. If financial institutions follow guidelines issued in March.

Sir Leon Brittan, the EC financial services commissioner, has threatened to introduce legislation if the banks do not cut their fees and improve transparency by the end of the year.

But Ms Laura Mosca, Beuc's chief economist, yesterday condemned the Commission's voluntary "users' charter" as a "public relations gimmick" and urged Sir Leon to take rapid and tough action which would bring financial institutions into line.

"The consumer's lot has not altered since 1989 when the first [Commission] recommendation on payment systems was adopted," she said.

Benc and UEC Que Choisir, a Paris-based consumer organisation, examined the specific area of holiday money and found, for example, that two-thirds of EC banks and bureaux de change displayed no information on exchange rates and fees for travellers' cheque transactions.

The consumer groups also attacked banks and card issuers for the lack of information available to consumers using payment cards and cheques when overseas.

## Malta's PM survives vote on EC failure

By Godfrey Grima in Valletta

DR Eddie Fenech Adami, the Maltese prime minister, survived a vote of no confidence yesterday following the decision by EC heads of state in Lisbon not to include Malta in a list of countries lining up for full membership of the Community.

The motion was tabled by the opposition Labour Party which claimed the government had deluded Maltese about the island's chances of being accepted as a full EC member. Mr John Major, the British prime minister, had argued institutional changes would be needed if Malta were to be allowed to join.

Greece that insisted Cyprus would have to be admitted if Malta's application was approved.

Maltese government officials said yesterday the island's application is expected to come up for review again at an EC council of ministers' meeting within six months - by which time the EC commission will have finalised its opinion on the Maltese application.

The Maltese now plan to put their case more forcefully. The foreign minister, Dr Guido Demareo, will have his first opportunity this month when he meets the British foreign secretary, Mr Douglas Hurd, in London.

## OECD sees fall in output for Iceland

By Robert Taylor in Stockholm

ICELAND can expect a sharp decline of 2.8 per cent in its output this year with a modest 0.5 per cent improvement in 1993, according to the latest survey of the country's economy published yesterday by the Organisation for Economic Co-operation and Development (OECD).

The report blames the poor short-term outlook for the country's fishing industry which accounts for three quarters of Iceland's exports. The report also blames world aluminium prices that have forced the postponement of a multi-national smelter project.

Following optimism last year, the OECD says that as a result of events beyond the country's control there is going to be further stagnation despite the relatively low level of inflation for Iceland of 7 per cent.

## CBI calls on EC to tackle economic priorities

By Andrew Hill in Brussels

CONCERN about ratification of the Maastricht treaty could distract the European Community from the severe problems facing EC businesses, the Confederation of British Industry warned yesterday.

"It seems to us there is a danger of what is essentially a political question overshadowing this crisis of business competitiveness," said Sir Anthony Tennant, chairman of the CBI's Europe committee. Sir Anthony, who is also

chairman of Guinness, the UK drinks group, was in Brussels to highlight the CBI's priorities for the British presidency of the EC, which began last week.

He urged the UK government to press for completion of the single European market, which would be the best way of halting the decline in EC competitiveness. However, in its memorandum to the British government, the CBI calls on the presidency to ignore "bogus single market measures", such as draft legislation to harmonise com-

pany law, data protection standards and social policy. The CBI believes these measures would add little to the creation of a single market.

Sir Anthony pointed out that the Community's share of world export markets had declined by 30 per cent in volume terms over the past decade, and Community productivity was growing at only half the Japanese rate.

But the CBI stressed that it was not advocating an interventionist policy, and sounded a note of caution about the European Commission's budget

plans for the next five years. The Commission envisages targeting increased EC funds on improved research and development and professional training.

Mr Dick Price, the CBI's deputy director general, said the organisation, which represents 250,000 British companies, was "instinctively wary" about anything that might involve "officials taking decisions to pump public money into the promotion of individual sectors". "That's the quickest way of wasting people's money that anybody has ever thought of," he added.

## Italians lobby Brittan on steel

By Haig Simonian in Milan

ITALY'S new government is lobbying Sir Leon Brittan, the European Community's Commissioner for competition policy, on behalf of the loss-making Iva state steel group, just as discussions start today on initiating a formal procedure against the company's recent capital increases.

The government has argued that Iva's two-stage L650bn (\$666m) capital increase represents urgent assistance for restructuring, rather than state subsidies, which would infringe EC rules.

In a letter to Sir Leon, Mr Giuseppe Guarino, the new industry minister, has repeated the previous government's support for Iva's plans to quote its shares and bring in new private-sector steelmaking partners.

Mr Guarino has offered to come to Brussels to explain in detail the new government's position, which is identical to that of Mr Giulio Andreotti, Italy's former prime minister. The same message was conveyed to Sir Leon yesterday by Mr Federico di Roberto, Italy's EC ambassador.

Commission concern about a possible strategy shift grew last month when Iva announced a L496bn 1991 loss.

The results cast doubts on the company's intentions to go public, as Italian bourse rules require companies to show three consecutive years of profits before floating their shares.

There have also been delays in Iva's plans to bring in private-sector steelmakers at its big Piombino plant in Tuscany.

In its new initiative, the government has asked for more time to present its case before the Commission decides on a formal procedure.

The request follows a meeting in Brussels last week between Sir Leon, Mr Franco Nobili, chairman of the IRI state holding company which owns Iva, and Mr Giovanni Gambardella, Iva's chief executive. Mr Nobili then discussed the outcome with Mr Guarino on his return, leading to the latest appeal.

The government has stressed that Iva's 1991 losses stem purely from the decision to divert capital gains from asset sales into a special reserve fund, rather than to cover operating losses. Plans for a flotation remain on course, as the company is expected to opt for the expedient of merging with an already-quoted concern. The most likely vehicle would be Dalmine, a north Italian tube-maker in which Iva has a 56 per cent stake.

## Irish MPs told of coup at Telecom

By Tim Cooney in Dublin

MR Brendan Hynes was sacked as chairman of Telecom Eireann, the state-run telecommunications company, at the weekend because he had lost the support and confidence of its board, Ms Maire Geoghegan Quinn, the Irish minister for transport and telecommunications, said yesterday.

She told parliament that she was left with a choice of either firing Mr Hynes or facing the resignation "individually or collectively" of the board. "The problem was not with the former chairman's thinking. The problem was with (his) *modus operandi*... the chairman must secure board approval for his/her proposals," she said.

The opposition Fine Gael party attacked the government for "mismanaging" what is Ireland's most profitable public sector company and a party spokesman said: "We are not really any wiser over the rea-

sens for the differences between Mr Hynes and the board." Telecom made a £54m profit on a £782m turnover last year. It has 1m customers, 13,500 employees and is estimated to be worth some £1bn were it to be privatised.

Mr Hynes was appointed to the post just six months ago, replacing Mr Michael Smurfit who resigned last September over a controversial deal to build a new headquarters.

Mr Hynes took a hands-on approach, believing he had been given a mandate from the then telecommunications minister, Mr Seamus Brennan, to carry out a thorough review of the company ahead of its possible privatisation.

Telecom's directors yesterday went on the counter-attack saying that they "unanimously" reject Mr Hynes' criticisms and that on June 26 they passed a motion of no confidence in him as chairman. Observer, page 13.

## German companies with Iraqi trade links raided

THE German authorities carried out a huge operation yesterday to seize documents from nine German companies which are suspected of illegally exporting weapons materials to Iraq, AP reports from Darmstadt.

The action in the western Rhineland area was part of ongoing government attempts to track down businesses that supplied Iraq with parts for President Saddam Hussein's nuclear weapons programme.

The Darmstadt prosecutor's office said that 400 customs investigation officials and 11 state prosecutors were involved in the series of raids against the suspected compa-

nies. The case against the companies, which were not named, is based on a report issued in January by United Nations weapons inspectors.

The UN's report cited evidence that Iraq was trying to build special centrifuges which are needed to produce enriched uranium used for assembling nuclear weapons.

Companies throughout Germany were said to be implicated in the supply of parts. Stung by criticism that German companies for many years sold arms to foreign dictators, the country's parliament gave the go-ahead in February for tough new weapons export controls.

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# Clinton silent on running-mate

By George Graham  
in Washington

FIVE days before the start of the Democratic party convention in New York, one name is still missing from the programme: that of Governor Bill Clinton's vice-presidential running-mate.

Mr Clinton yesterday met Mr Warren Christopher, the Washington lawyer who is leading his search committee, but the Arkansas governor has succeeded in preserving a veil of mystery over his choice.

Several names are widely circulated, but most tipsters are cautious enough to include the possibility of a surprise on their short-lists. Even the tim-

ing of Mr Clinton's announcement remains in doubt, with some pundits suggesting he might wait until the middle of next week's All Star baseball game to ensure a big television audience.

Three men are most widely mentioned as possible running-mates: Senator Harris Wofford of Pennsylvania, Congressman Lee Hamilton of Indiana and Senator Albert Gore of Tennessee. Senator Wofford leapt to the top of the list yesterday when he met Mr Clinton in Washington. A surprise victor in last year's Pennsylvania senate by-election, he would confirm Mr Clinton's emphasis on domestic issues, especially health care reform.

Mr Hamilton, on the other hand, would bring some of the gravitas and foreign affairs experience that the presumptive Democratic nominee is thought to lack. His odds lengthened this weekend when he distanced himself from Mr Clinton and the centre of the Democratic party on the issues of abortion and parental leave - although his reservations about abortion rights are similar to Mr Wofford's.

Mr Gore would bring good credentials on environmental issues, but an all-southern ticket could be risky. Yankee prejudice is alive and well, as Mr Clinton himself discovered during the New York Democratic primary campaign.

Also viewed as potential choices are three other senators: Mr Bob Kerrey of Nebraska, Mr Jay Rockefeller of West Virginia and Mr Bob Graham of Florida.

Of these six, only Mr Wofford and perhaps Mr Graham have the capacity to bring Mr Clinton a big state he might otherwise lose.

The man Democratic delegates would most like to see alongside Governor Clinton, according to a recent Associated Press poll, is Senator Bill Bradley of New Jersey. The former basketball star has, however, repeatedly ruled himself out.

In the end, the choice of vice-presidential running-mate may

not mean all that much. Some analysts say it is the candidate's first chance to show himself as a decision-maker; others that voters elect a president, not a vice-president.

While Mr Lyndon Johnson won his home state of Texas for President John Kennedy in 1960, and Mr Walter Mondale of Minnesota may have helped President Jimmy Carter in 1976, most vice-presidential candidates have no effect on the outcome of the election.

Perhaps the clearest evidence of this came in 1988, when Mr Lloyd Bentsen comprehensively outscored Mr Dan Quayle, but could do nothing to rescue the losing candidacy of Mr Michael Dukakis.

# Canadian health care faces financial realities

CANADIANS enjoy one of the world's most widely admired health care systems. Anchored by the principles of universality and accessibility, the publicly funded system has ensured that rich and poor alike are able to visit a first-class doctor, call an ambulance or get a bed in a prestigious hospital.

But keeping these principles intact is becoming difficult. A vigorous debate is under way on how a system that so many other countries have been tempted to follow should itself be reformed.

The nub of the problem is money, as underlined last month when, for the first time, the health ministers of all 10 provinces (health care is a provincial responsibility) met jointly with provincial finance ministers.

Canadians can visit a doctor as often as they like at no charge. Doctors charge provincial health plans according to a schedule of fees for various services, but with few aggregate limits. The system is funded by a variety of taxes, ranging from a portion of general government revenue to a special payroll tax in some provinces.

For years, financial considerations were secondary. But public spending on health ballooned by an average of 12 per cent a year during the 1980s to the point where Canada's spending on health care relative to its gross domestic product is now 8.2 per cent, higher than any other country with a national health system. The budget of Ontario's health ministry, by far the biggest in the country, has almost quadrupled since 1980.

Some of the spiralling costs are attributed to the bureaucratic inefficiency of a government-run system split between 10 provinces. Canadian hospitals, for instance, have traditionally been run as separate entities, each with its own board of directors trying to carve out a high profile in the community.

The recession and growing grassroots resistance to tax increases have forced governments to tighten their belts. Ontario has budgeted for a mere 1 per cent rise in funding

for hospitals this year. It has warned pharmaceutical companies not to increase their prices by more than 2 per cent.

Mr Earl Berger, managing director of Canadian Health Monitor, a national health care survey, says the cuts are "forcing hospitals to do things which many of them have never done before". These include drawing up business plans and encouraging doctors to remove their patients from hospital more quickly.

At the same time, the fundamental principle of universal health care is being questioned. Critics are asking whether unlimited "free" access to services encourages

treatments, they are being encouraged to move stage-by-stage from one procedure to the next.

Some politicians have promised that such reforms to improve the efficiency of health care delivery will be sufficient to ease the financial crunch. The Ontario government said in a recent paper that its reforms would ensure "our current system is maintained and actually enhanced".

Others, however, predict more fundamental changes. Quebec set warning lights flashing last year when it proposed a C\$5 (\$2.20) "orientation fee" to be levied when a patient insisted on visiting a hospital casualty ward without first going to a family clinic, or made an appointment with a specialist without referral by a general practitioner.

A political outcry forced Quebec to drop the idea, but it is toying with others that would have much the same effect. One is a surcharge on personal income tax, based on the volume of medical services used during the year. The surcharge would have an upper limit of C\$300-400 a year for the average family.

Several provinces are gradually narrowing the definition of universal and accessible care. Ontario sets strict limits on payments for medical care outside Canada - a substantial burden, for instance, on the people who have retired to Florida. Quebec is considering removing some services, such as eye examinations and prescriptions for the elderly, from its health plan coverage.

Mr David Levine, director-general of the Notre Dame hospital in Montreal, says that "piece-by-piece, there's going to be a way in which this is going to be introduced". Mr Berger predicts that at least one of the provinces will introduce some form of user fee within five years.

The challenge for politicians is to put the changes in place without unleashing a public furor. Though the long-term result may be a significantly different system, Mr Levine predicts it will be achieved only through small, incremental steps.

## The provinces are considering reforms including user fees, writes Bernard Simon

patients to make unnecessary demands on doctors and hospitals. Similarly, could doctors, whose income is partly determined by how often they see their patients, be more sparing in their choice of tests and treatments? Does every hospital in every city need the most modern equipment to treat a wide variety of ailments?

Changes are already under way. New Brunswick, for example, hopes to improve efficiency and bring down administrative costs by replacing 53 hospital boards in the province with eight regional boards. Ontario has warned commercial laboratories that from next April payments will be cut by half when the number of tests grows by more than 2 per cent a year. Health care administrators are trying over the longer term to ease the pressure on hospitals by putting more emphasis on walk-in clinics, day surgery and homecare.

Doctors are playing a bigger role in hospital administration. But they are also being encouraged to move towards what some derisively call "cookbook medicine". Instead of carrying out simultaneous tests and

## Violent protests embarrass Dinkins

By Alan Friedman  
in New York

VIOLENCE erupted in a mainly Hispanic neighbourhood in northern Manhattan on Monday night as hundreds of demonstrators burned cars and buildings and looted shops in a rampage that left one man dead and 15 injured.

The rioting, in the Washington Heights section of New York, is an embarrassment to Mayor David Dinkins less than a week before the city hosts the Democratic party's national convention. Mr Dinkins has been trying to smarten up New York's image.

The six hours of violence began when residents marched through the streets to protest at the shooting by a policeman last Friday of Mr Jose Garcia, a member of the local Dominican community. Police said Mr Garcia was shot dead in a struggle to disarm him, but the protesters claimed he was unarmed.

The demonstrators split into smaller groups and began shouting and hurling rocks and bottles at helmeted anti-riot police. The protesters -



Cars blaze on Audubon Avenue, Washington Heights, on Monday night in protest at a Dominican resident's death

mainly Dominican teenagers - then set cars, rubbish bins and buildings on fire. One man died after falling off the roof of a five-storey building.

A police spokesman said the violence resulted in 28 arrests,

the injury of 15 protesters, two fire fighters and eight policemen, and damage to eight police cars and one ambulance.

Mayor Dinkins and other local politicians visited the

neighbourhood as the violence began, seeking to reassure the Dominican community that there would be a full investigation of the circumstances of Mr Garcia's death.

Mr Brian Murtagh, a Demo-

crat in the New York assembly, who was an eyewitness to the violence, said the incident was "nothing like the recent riots in Los Angeles" and consisted mainly of "teenage looting and rampaging".

## NEWS: WORLD TRADE

# Fury over call for US quota on Japanese cars

By Nancy Dunne  
in Washington

AMERICAN car importers and foreign car manufacturers yesterday attacked as "bold-faced protectionism" trade legislation to be discussed today which would force Japan to negotiate a quota of 1.65m imports or face US retaliation.

The amendment to this year's House trade bill is sponsored by Democratic Congressman Sander Levin of Michigan and House Majority Leader Richard Gephardt. Despite Bush administration insistence that the legislation would be vetoed, opponents say it will be difficult to defeat because the House Democratic leadership wants to use it as a campaign issue at next week's Democratic convention.

Opponents are also fighting a requirement that Japanese "transplants" - factories in the US - increase their use of American-made parts to 70 per cent in the next two years. They argue that such restrictions are the type of barriers to trade and investment the US is seeking to eliminate in the Uruguay Round of world trade liberalisation talks under the aegis of the General Agreement on Tariffs and Trade.

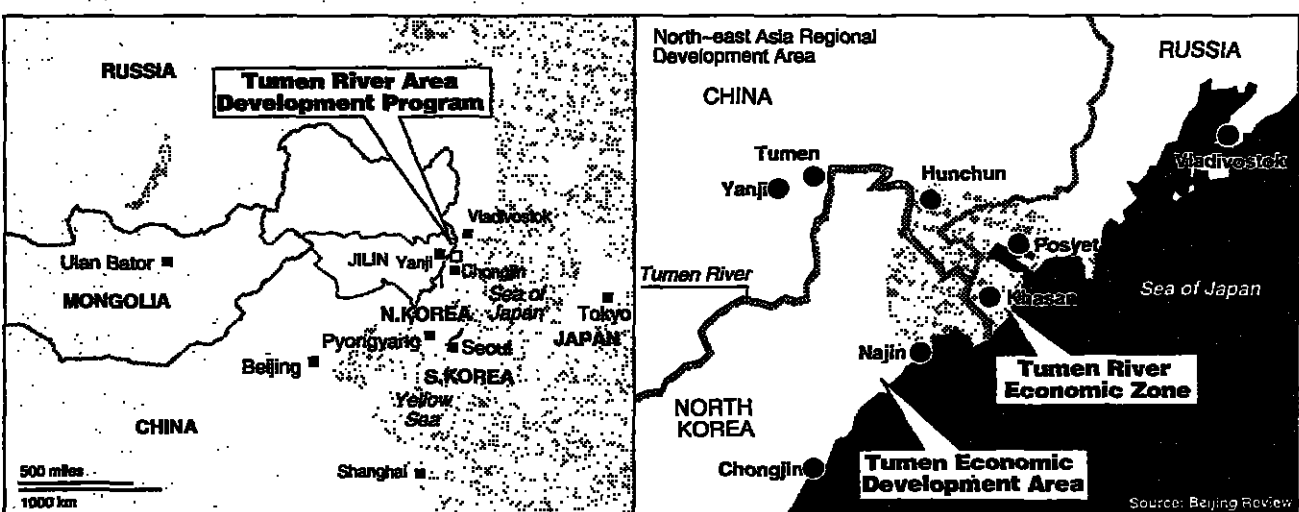
Mr Walter Huizenga, of the American International Auto-

mobile Dealers' Association, yesterday said the legislation would have "a chilling effect" on foreign investment in the US. About 32,000 US workers are now employed by Japanese "transplants".

Even as the importers and "transplants" were sending lobbyists around Capitol Hill, congressmen have been digesting a recent report, issued by a joint US-Canada panel, established under the Free Trade Agreement. It says that unless the North American industry improves its competitiveness, 100,000 jobs could be lost in the next five years.

The report warned that US costs were rising, while Japanese costs had declined. "As a result, the Japanese industry now appears to possess a major advantage over its North American rivals in internally generated funds available for capital investment and to enhance future competitiveness," it said.

● The three trade ministers of the US, Canada and Mexico will meet this weekend in Washington, according to Canadian sources. They will seek to resolve disagreements over trade in vehicles, agriculture and energy, blocking completion of a North American Free Trade Agreement.



# Rotterdam of the east takes shape

PLANS for a vast port complex and trading zone in north-east Asia, sprawling over the boundaries of China, North Korea and Russia, are under way after securing the support of no fewer than six governments.

The Tumen River Area Development Programme (TRADP) is centred on a key Sea of Japan coastal area and is optimistically described as "the future Rotterdam of the Far East." Its estimated cost is at least \$20bn over 20 years.

The main achievement so far of TRADP, which is sponsored by the United Nations Development Programme (UNDP), has been the diplomatic feat of bringing together government delegations from the two Koreas, China, Russia, Mongolia and Japan.

## Yvonne Preston reports on Asia's dream port project

mutual hostility for 40 years, signed a non-aggression pact only last December, and China has yet to establish formal relations with South Korea. Russia was not even an independent country when the TRADP inaugural meeting took place in February last year. Japan has no diplomatic relations with North Korea and is in bitter dispute with Russia over the Kuril islands, which were occupied by Soviet forces after the second world war.

No other intergovernmental organisation exists in this part

of the world, the UN development agency says, and the formation of a TRADP management committee is the first time the six countries agreed to work together under UN auspices.

The 515km Tumen river rises in China's Jilin province and has been the border between China and Korea since ancient times. Since Soviet rivalry, the Korean war and Japanese militarism have kept the area backward and undeveloped. The dream is to turn the marshes and rice paddies of the Tumen river delta into a metropolis of 500,000 people and entrepot to rival Rotterdam and Hong Kong. UNDP officials acknowledge that the project is still only a dream.

The delta provides landlocked Mongolia with its nearest outlet to the sea. The hinterland is rich in resources, and the scale of the trading

bloc could rival the European Community.

The regional co-operation project consists of an inner economic zone of around 1,000 sq km. A second and broader development area takes in the Russian port of Vladivostok, Chongjin in North Korea and the Chinese city of Yanji. The outer North-east Asia Regional Development Area occupies an area of 370,000 sq km.

The Asian Development Bank and the World Bank have shown interest in the project, which will also seek funds from Japan and South Korea. The next stage is an initial feasibility study for which the UN agency has allocated \$2.5m.

The involvement of North Korea in the planned development represents the country's first step towards opening its economy after decades of isolation.

## NEWS IN BRIEF

# Uruguay sound on trade, says Gatt

By Frances Williams in Geneva

URUGUAY's trade regime has gradually changed from a highly protected to a relatively liberal one. But the benefits are being reduced by high trade barriers in rich countries to Uruguay's farm and textile exports, the General Agreement on Tariffs and Trade (Gatt) says in a report yesterday.

It warns that Uruguay risks lagging behind the economic liberalisation of Brazil and Argentina, its giant neighbours and fellow members with Paraguay of the Mercosur common market. This could mean rapid and painful structural adjustment in Uruguay's import-competing industries when trade barriers are scrapped within Mercosur from January 1995.

The Gatt council yesterday welcomed Uruguay's progress in liberalising trade and deregulating its domestic market, despite economic difficulties. The report notes that average tariffs have fallen from nearly 700 per cent in 1984 to 21.5 per cent by January 1992. The council urged Uruguay's trading partners to support the reform process by reducing obstacles to its exports. Entry barriers and subsidised exports under EC and US farm policies have particularly hit Uruguay's exports of beef and dairy products. Uruguay, which hosted the launch of the Uruguay Round of world trade talks in 1986, is a member of the Cairns Group pushing for cuts in farm subsidies.

## John Brown wins turbine order

John Brown, part of Trafalgar House's engineering division, has won a contract worth nearly £100m (\$191m) to build and supply 12 38MW gas turbines for Abu Dhabi, writes Andrew Baxter. The deal, thought to be the world's largest order for this kind of heavy-duty gas turbine, is further confirmation of the revival of the Middle East power plant market. It is understood that John Brown clinched the order by being able to offer a short delivery time.

## Clash threatens dam project

Work on a multi-million-dollar dam project in Malaysia in which the British company Balfour Beatty has a major share is threatened by arguments between local authorities and the country's main electricity company, writes Kieran Cooke in Kuala Lumpur. The authorities in the state of Kelantan, on Malaysia's east coast, have blocked roads leading to the \$770m Pergau hydro-electric dam. Kelantan, a Moslem state controlled by the opposition Parti Islam, is in dispute with Tenaga Nasional, the recently privatised electricity utility, over payments of water rights.

## Andes oil pipeline agreed

The state oil companies of Chile and Argentina, Enap and Yacimientos Petroliferos Fiscales, have signed a letter of intent to build a 424km oil pipeline across the Andes at an estimated cost of \$200m, writes Leslie Crawford in Santiago. The pipeline, which will be ready in late 1993, will link oil fields in the Argentine province of Neuquen to an Enap refinery in Concepcion, southern Chile. An extension to the port of San Vicente will give Argentina a Pacific outlet for its crude exports.

## Exporters in whaling warning

Norwegian businessmen fear the country's decision to resume the killing of minke whales may hit exports. Mr Richard Fuglesang, president of Ajunglak, which produces sleeping bags, said in a letter to the prime minister, Mrs Gro Harlem Brundtland, yesterday that following a two-day visit to Britain it was clear that sales could suffer as consumers avoided Norwegian products.

# Barter trade to grow with CIS states despite big risks

By Leslie Collitt in Berlin

COMPENSATION trade, a sophisticated form of barter, will grow in importance with the financially-pressed states of the former Soviet Union, according to Mr Hans-Joachim Skrobanek, a specialist in this field who heads Finance by Trade (FTB), a subsidiary of Berliner Bank.

The risks involved are considerable and grow with the number of official approvals needed before Russian and Ukrainian products, for exam-

ple, can get from the producer to the western buyer. "Each one of the official links can fail to keep a promise or simply break it," he said.

Nevertheless, compensation trade, or buy-back as it is also known, was likely to make up a significant proportion of German trade with CIS republics and some eastern European countries for some time to come. One reason was that the German government was unlikely to expand its Hermes export credit guarantees for CIS beyond the DM10bn

(\$5.5bn) promised by Chancellor Helmut Kohl.

Mr Skrobanek estimated that in 1990, 25 per cent of west German exports to the Soviet Union were based on compensation trade and variations of it. The percentage rose sharply in 1991 when many Russian companies carried out non-approved barter deals with the west.

FTB, which does nearly DM150m (\$98.8m) in business with the east - mainly Russia - is the only compensation trade company owned by a

German bank. Nearly half its customers are east German companies whose trade with the CIS has declined greatly.

There has been a recent fall, however, in barter-type transactions with the CIS as deals need to be individually approved by the Russian government. This has been a reaction to an estimated outflow in 1990/91 of DM12bn-DM15bn which was deposited by Russian companies in western bank accounts after the old approval mechanism broke down, Mr Skrobanek said. The

companies are now forced to pay nearly half of the hard currency they earn to the state and receive rubles in return.

The Russian government's refusal to allow Russian companies to deposit their earnings from barter trade in western banks has made barter deals more risky for western exporters.

Oil, precious metals and chemicals remain the products most commonly bartered by the Russians but even these run up against logistical problems. Heating oil and metal ore

are partly shipped via Baltic ports but the newly-independent Baltic republics frequently restrict the amounts, and the ports of Leningrad and Kaliningrad cannot cope with any increase.

Romania and Bulgaria, whose market economies are rudimentary, have the greatest need for barter trade in eastern Europe. By contrast, only 5 per cent of the trade with Poland, Czechoslovakia and Hungary - all of which have internal convertibility of their currencies - is based on barter deals.



## NEWS: INTERNATIONAL

## Australia set to cut interest rates again

By Emilia Tagaza in Canberra

AUSTRALIA is expected to cut official interest rates this week by as much as a full percentage point to 5.5 per cent.

The last cut was made only two months ago but further confirmation of a stalling recovery from the recession has pushed the urgency of another easing.

Financial markets anticipate a government announcement today or tomorrow, following a meeting of the Reserve Bank yesterday where a cut in rates was top of the agenda.

Additional pressure for another cut emerged yesterday with the release of the preliminary budget deficit of A\$9.4bn (£3.68bn) for the year which ended in June. This is higher than the A\$9.3bn revised forecast in May and double the original A\$4.7bn estimated in August last year.

The government attributed the deficit to the slower than expected economic recovery which had led to further falls in revenue and large increases in welfare payments.

Revenue collections in 1991-1992 totalled A\$63.3m, representing 24.3 per cent of estimated gross domestic product. In a joint statement, Mr John Dawkins, the federal treasurer, and Mr Ralph Willis, the finance minister, said this was the lowest share of government

revenue to GDP in 12 years.

Outlays rose to A\$102.7m from the original estimate of A\$101.5m, mainly due to the spending programme introduced in February by the prime minister, Mr Paul Keating, to stimulate the economy. The programme was designed to bring unemployment below 10 per cent before the election scheduled for mid-1993.

The Reserve Bank also released figures yesterday showing stagnant lending to business. Credit provided to the private sector by financial intermediaries rose a seasonally adjusted 0.2 per cent in May, after falling 0.3 per cent in April. Total credit in the year to May fell 1.6 per cent.

Another report due tomorrow will bring more bad news for the government. The unemployment figure for June will be released and most expect little change from the 10.6 per cent recorded in May.

The run of bad economic news has dented confidence in Mr Keating's government. Only three months ago, Mr Keating appeared to have successfully turned around the battered image of the government left by his predecessor, Mr Bob Hawke. However, Mr Keating will attempt to regain some ground in a forthcoming "employment summit" where he is expected to announce more steps to create jobs.

## Indian inflation turns downwards

## Rao confident of surviving scandal

By David Housego in New Delhi

THE INDIAN government of Prime Minister P V Narasimha Rao faces a new session of parliament today with growing confidence that the opposition will be unable to substantiate charges of ministers' involvement in the Bombay financial scandal.

The Finance Ministry also believes that inflation is at last turning downwards. It has been running at 12 to 13 per cent over the past year and has provided the principal weapon for critics of the government's economic reforms.

Mr Manmohan Singh, the finance minister, said that he was confident that inflation would come down from month to month to a single digit rate by the end of the financial year.

But, anticipating a big assault from the opposition over its handling of the financial scandal, the government seems ready to yield ground by agreeing to the setting up of a joint parliamentary commission to investigate the scandal.

The opposition has demanded an independent inquiry on the grounds that both the Reserve Bank and the police investigations have been carried out by arms of the government - and have thus dodged uncomfortable questions over the involvement of ministers and senior government officials and over the role of the central bank.

Such an inquiry is likely to put further pressure on Mr R. Venkatarmanan, the Reserve Bank governor, who is at risk of becoming the main scapegoat of the scandal.

Mr Singh this week expressed his continuing confidence in the governor and

spoke of the difficulties he had faced. But the government also seems prepared to sacrifice him if need be.

All the opposition parties are intending to vote against the government in a no-confidence motion over its handling of the scandal, which is expected to be tabled in the early days of the session. Though the government has only a bare majority, its co-ordination is better than that of the opposition. In addition, none of the opposition parties is yet ready for an election.

At least two ministers are constantly named in private conversations in Delhi as having an involvement in the scandal. But ministers and senior officials seem increasingly confident that the opposition does not have material to substantiate charges of wrongdoing.

The government's confidence has been strengthened by some signs of improvement in the main economic indicators. The inflation rate has dropped to just over 11 per cent and government economists believe that the year-on-year rate will descend to single digits in the next few months.

A rise in imports in the February to May period is seen as a sign of industrial production picking up and officials are encouraged by the large number of companies planning to focus more on exports.

But with industrialised economies in prolonged recession, there is much uncertainty over how strong the growth in export performance will be.

There is also uncertainty over whether the government - already on the defensive over the financial scandal - will have the courage to push ahead with unpopular economic decisions.

## Saudi banker in BCCI case quits

By Mark Nicholson in London and Alan Friedman in New York



SHEIKH Khalid bin Mahfouz yesterday resigned as the chief operating officer of National Commercial Bank (NCB), Saudi Arabia's biggest and best-connected bank, saying he would devote his "full energies" to fighting fraud charges brought against him in the Bank of Credit and Commerce International (BCCI) affair.

Sheikh Khalid's resignation comes less than a week after he and a London-based associate were indicted in New York

on charges that they had schemed between 1985 and 1991 to defraud depositors, regulators and auditors of the collapsed BCCI.

The indictment, announced by Mr Robert Morgenthau, the Manhattan district attorney who last year brought the first fraud indictments against BCCI, alleges that Sheikh Khalid and Mr Haroon Kahlon, an associate, fraudulently obtained more than \$300m from BCCI depositors and other customers.

The charges are diplomatically sensitive, because of the prominence of the bin Mahfouz family in Saudi Arabia, where NCB is considered to have close ties to the royal family. Sheikh Khalid reacted

angrily, vowing to fight the indictment and calling the charges "completely unwarranted". In New York yesterday, an aide to Mr Morgenthau noted that NCB had not been indicted in the BCCI affair, but he said the bank remained under investigation.

Sheikh Mohammed bin Mahfouz, chairman of NCB's management committee and Sheikh Khalid's brother, said in a statement from the bank's Jeddah head office he had "reluctantly accepted" the resignation, which he called "a sacrifice he believes is in the best interests of the bank". Sheikh Mohammed will take operational control of NCB. The statement quoted Sheikh Khalid saying "he cannot allow

the continuing smooth operation of the bank to be interfered with in any way" as a result of the indictment.

"We are fully confident of Sheikh Khalid's innocence," the statement said. "God willing, he will be vindicated."

Sheikh Khalid's resignation clouds the immediate outlook for NCB, which holds around a third of Saudi Arabia's total bank deposits, claimed assets in 1991 of SR2.3bn (\$22bn) and is widely viewed as the Saudi royal family's bank, but which has produced no full financial figures since 1989.

Capital Intelligence (CI), the Arab world's leading bank rating agency, last month suspended NCB's rating on the ground that it had produced no

accounts for 1990 and 1991 and said in a circular to clients that the bank's ownership structure, as an unlimited liability partnership, was "inappropriate for its size".

The bank, which prizes the confidentiality afforded by its position as Saudi Arabia's sole privately-held bank, is majority owned by the bin Mahfouz family, with the kingdom's wealthy al-Kaabi family holding the remainder.

NCB closed its London branch in May, justifying the move on cost grounds. However, the Bank of England is widely believed to have been uncomfortable that the bank, which had a loan book worth some \$1bn in London, had released no figures since 1989.



A youth confronts soldiers yesterday surrounding the house of ANC member George Sgomora who was killed in a hand grenade attack in the township of Vosloorus

## S African sackings likely to fuel militancy

By Philip Gawith in Johannesburg

TWO LARGE-SCALE sackings of striking workers in South Africa are expected to fuel shopfloor militancy and bolster the mass action campaign of the African National Congress and its trade union ally, the Congress of South African Trade Unions (Cosatu).

The dismissal this week of 6,000 workers at the Toyota assembly plant in Durban follows the sacking of 7,400 state health workers by the Transvaal Provincial Administration (TPA). Although both strikes preceded the start of the mass action campaign, they

have assisted Cosatu's efforts to raise the level of industrial activity culminating in a general strike next month.

A Cosatu official said the dismissals were "adding fuel to the fire" of already high levels of industrial action. Andrew Levy and Associates, a labour research group, estimates that 650,000 working days were lost in the first half of 1992 compared to 375,000 in the same period in 1991. There is already evidence that the large-scale dismissals will provoke widespread solidarity action from other unions.

Meanwhile Mr Nelson Mandela, the ANC leader, yesterday held talks with

business leaders about the political impasse in the country. The business group held similar talks last week with President F W de Klerk and with Chief Mangosuthu Buthelezi, the Inkatha leader. Mr Mandela said he was "very encouraged" by the talks which had "narrowed the gaps between us".

The business delegation conveyed its disapproval of mass action saying "a groundswell of opinion is rising that we cannot support actions which will further damage or destroy the economy or bring more violence or disruption in its wake." Toyota claim that strike activity this year has cost them 45 days

of production or R575m (£122m) in lost turnover. Last month the Reserve Bank reported that the economy had contracted at an annualised rate of 1 per cent during the first quarter.

The three-week strike at Toyota arose out of an earlier strike - the union, the National Union of Metalworkers, took exception to the fact that management paid shop stewards for negotiating during the strike, but did not pay workers. The hospital workers' strike concerns wage demands. The employees had until yesterday to provide reasons why their dismissals should be reconsidered.

## Delhi allows private TV on state network

By Shiraz Sidhva in New Delhi

INDIA is for the first time to allow private broadcasters to use the state-owned television network.

The government announced yesterday that it would allow private companies broadcasting time on a second channel beamed to main cities.

The partial privatisation, to start next month, is a belated response to the competition faced by Doordarshan, the state-owned television service, from CNN, the BBC, Star TV and other networks using satellite links.

The second channel, focusing on audiences in Bombay, Delhi, Calcutta and Madras, will show independently made programmes and will be governed by a Broadcasting Council intended to be

free of government control.

Independent television producers have welcomed the government's decision.

The council will be made up of nine people drawn from the media and performing arts, all of whom will have experience of electronic media.

Producers hope that the quality of programmes on Indian television will improve substantially once private producers "with proven track records" are issued licences by the Council for an initial five-hour time slot rising to nine hours.

The Information Ministry, which has faced widespread criticism of its mediocre programmes and arbitrary censoring, hopes to increase its commercial revenue substantially from advertising on the new private channel and from the licence fees of cable operators.

## Taiwan eases entry curbs on dissidents

TAIWAN yesterday cut from 228 to five the number of dissidents barred from returning to Taiwan from abroad, AP reports from Taipei.

"The government allows entry of all Taiwanese living abroad, except those with records of violent acts," said Mr Wu Poh-hsiung, interior minister. Officials have said up to 800 people were barred from entry three years ago.

Wu declined to identify the five still on the blacklist. But they are believed to be pro-independence group leaders, including Mr Shih Ming, head of the Tokyo-based Independent Taiwan Association.

The announcement came after MPs yesterday approved revisions to the National Security Law, which was enacted after Taiwan lifted 38 years of martial law in 1987.

## Labour shortages hold back Singapore growth

TIGHT labour supply will limit Singapore's economic growth this year to between 4 and 6 per cent, according to the Monetary Authority of Singapore (MAS). The economy grew by 6.7 per cent in 1991, AP reports from Singapore.

Rising labour costs will curb exports, the MAS, Singapore's central bank, said in an annual report. Weak US demand is likely to dampen exports by a leading Singapore industry, computer disk drive manufacturing, and consumer electronics will be depressed because of high inventories in Japan and Europe, it said.

Overall, however, "increased spending on public infrastructure projects, a revival in exports to the US and increased trade with China will provide the main impetus to growth." Pharmaceuticals and special chemicals should con-

tinue to prosper, while petrochemical exports will be hit by a regional glut, the report said. "The appreciation of the Singapore dollar since 1989 served to neutralise foreign inflationary pressures and exerted a cooling effect on the overheated labour market," said Mr Richard Hu, MAS chairman and finance minister.

"A weaker exchange rate may indeed help achieve higher export and gross domestic growth in the short term. It comes, however, at the cost of higher inflation, which must eventually undermine competitiveness," said Mr Hu.

"There is no lasting gain in output arising from a weaker currency. More often than not, persistent inflation erodes investor confidence, engenders social divisiveness, and impairs long-term economic growth."

## Israeli chorus for privatisation sets Labour's agenda

Hugh Carnegie reports on a stunted programme that could provide much-needed funds but divide the new government

AT FIRST sight it looks like a case of the cat being asked to hand over the cream: Israel's Labour party, in the past a diligent builder of socialist structures, is facing a near unanimous chorus of advice to speed up privatisation when it takes over the government next week.

Far from mewling in protest, these days Labour leaders wrinkle their noses at the notion of state control of industry. In fact, they queue up to voice the merits of selling off the great chunks of Israel's productive capacity that have accumulated in government hands.

"In principle we have to review everything," says Mr Avraham Shochat, a senior Labour member of parliament and candidate for the post of finance minister.

Privatisation has become accepted in Israel as an essential element in generating sufficient growth and funds to cope with mass immigration from the former Soviet Union. A

report on Israel, published this month by the Economic Intelligence Unit (EIU), says that the government could raise between \$7bn (£3.6bn) and \$10bn from asset sales over the next four years.

The government 'could raise between \$7bn and \$10bn from asset sales over the next four years'

That would represent a significant part of the \$50bn the Bank of Israel estimates is required to attract and absorb a target of 1m Jews from former Soviet territories within five years.

But though the outgoing administration was controlled by the avowedly free-market Likud party, privatisation steps have been painfully slow since First Boston of New York produced a plan in 1988 for privatising 24 companies within four years.

Partial stakes in key companies, such as Israel Chemicals and Bezeq, the telecommunications monopoly, have been successfully floated on the Tel Aviv Stock Exchange. Some small companies, such as Maman, an airport cargo handling outfit, have been sold. But government control over almost all of the biggest state companies remains intact.

Labour will also have to tackle the complex problem of the country's big four banks, which together control the vast majority of the local banking system and which themselves are big industrial owners. Since a \$7bn government bail-out in 1983, following a share price collapse, a majority of the shares in Bank Hapoalim, Bank Leumi, Israel Discount Bank (IDB) and Bank Mizrahi have been held by the state, although without management control.

Bidding is under way for Bank Mizrahi and Bank Igud, a unit of Bank Leumi. Minority portions of

Bank Hapoalim, Bank Leumi and IDB are projected for a stock exchange flotation. But legislation placing the banks under state control if they are not sold off by next year will need to be amended if nationalisation of the others is to be avoided.

The government's tendency to use the banks as instruments of policy, and a long record of bad debts, has raised questions over whether foreign investors will be willing to come into the market. To date, no foreign banks operate in Israel, but a partnership that Barclays of the UK holds in an offshoot of IDB. Without foreign investors, potential local buyers - such as the Histadrut trade union federation, which would like to repurchase its pre-1983 ownership of Bank Hapoalim - will find it hard to raise the necessary funds.

Mr Pinhas Landau, author of the EIU report, believes that any structural or ideological impediments to the process of privatisation will soon

be swept aside by a more pressing concern: the fiscal pressures on the new government imposed by immigration. "The government," he says, "will have to have the money and that's what will drive them."

Rabin 'will face formidable interest groups in his party that interpret privatisation in a peculiar way'

Labour certainly sees privatisation as a vital source of funds for much-needed infrastructure investment in the economy. But some advocates of market reforms in Israel continue to doubt Labour's commitment to getting the government out of decision-making in industry and business.

Mr Shochat himself said there were three categories of company in which Labour envisaged the government continuing to retain a controlling 25 per cent shareholding. He

described these as "natural monopolies", companies of strategic importance to the country, and those which play a vital security role.

These encompass Bezeq and the Electric Corporation in the first category, Israel Chemicals in the second and Israel Aircraft Industries in the third. Mr Yitzhak Rabin, the Labour leader, has added Et Al to the list. As one of its last acts, the outgoing government at the weekend ruled that Zim, the merchant shipping company, should also remain under government control.

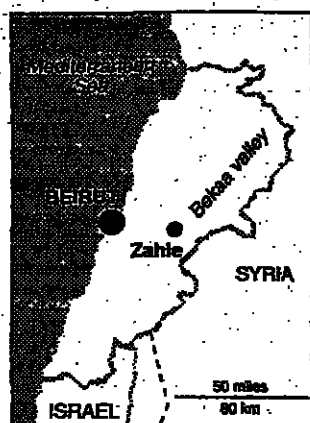
"I think Rabin honestly wants to see privatisation pursued," says Mr Daniel Doron, head of the Israel Centre for Social and Economic Progress. "But he will face formidable interest groups in his party who will interpret privatisation in a peculiar way. I don't think many of them realise what private ownership means, what a regime of competition is and why it is important to the economy."

## Syria destroys Lebanese drug crop

By Ian Hamilton Fazez

OPTIMUM AND cannabis production in Lebanon's Bekaa Valley - a prime source of funds for Hizbollah Islamic fundamentalists - has been wiped out by the Syrian army. The valley has long been one of the world's principal centres for growing illegal drugs but policing was non-existent during Lebanon's civil war.

However, the subsequent large presence of Syrian troops in Lebanon and Syria's powerful influence in the country, with which Damascus signed broad "co-operation" agreements last year, made the task of clearing the Bekaa feasible. The world's other main illegal opium production areas are in Afghanistan, Pakistan and south-east Asia. New fields have also been sown this year



in the former Soviet Union, with traffickers taking advantage of current turmoil.

The UN says the Bekaa crackdown is not going to stop trafficking, but it has disrupted European supplies. As a probable result, there have been shortages of cannabis on the illegal British market for several months.

The Syrian crackdown started soon after talks between President Hafez al-Assad and Mr James Baker, the US secretary of state, about the time of last year's Gulf War.

Mr Baker is believed to have suggested that tackling Lebanon's role in supplying a significant part of the world illegal drugs market might be one way Syria could improve relations with the US and western Europe.

The United Nations Drug Control Programme in Vienna carried out a snap inspection five weeks ago, when poppies should have been in bloom and cannabis plants growing strongly. Mr Bernard Frahl, a former police superintendent in France who led the inspection, said yesterday the crackdown has dealt a strong blow to illegal drug trafficking.

"The Syrian army just got on with it, beginning last year when they seem to have eradicated about 80 per cent of the crops. This year they finished the job," Mr Frahl added.

Some groups in Beirut claimed growing is still going on, but were unable to produce evidence to the UN's three-man team, which had free access to the valley. Photographs taken by the team show the Bekaa - about 75 miles long by eight miles wide - looking like a large ploughed field. Two years ago, photographs from similar positions show purple-white opium poppies as far as the eye can see.

The team's unpublished report on the inspection says there has been an immediate effect on the drug market. Raw opium for processing into morphine and heroin is now so short its price in Beirut has rocketed from \$70 a tonne to more than \$500.

According to Syrian estimates, up to 12,500 acres in the Bekaa were planted with opium and up to 40,000 acres with cannabis, yielding 50 tonnes of opium and 1,000 tonnes of cannabis. The opium would then be refined into about five tonnes of heroin.

The Lebanese civil war allowed easy bulk shipment by sea, with profits helping to fund the fighting. With peace and tighter Syrian control, six "controlled" delivery operations have been carried out from Lebanon this year, leading to drug seizures in Germany, the US, Britain and France. Mr Frahl said tighter policing was also preventing drug smuggling across Syria.

Cultivation in the Bekaa was split between a large local family with 5,000 members, Hizbollah activists, and smaller families and individual farmers. Many are now struggling to subsist by growing lettuce, tomatoes and potatoes, but are losing money because of the cost of seeds, fertiliser and irrigation.

"Illegal drugs are low-cost, low-maintenance crops, and farmers told the UN team they will revert to growing them if they get the chance. However, Syrian generals say there will be no let-up."



Fourth Trident ordered • Gulf war lessons • Commitment to smaller, better forces

# UK prepares global defence strategy

By Daniel Green and Alison Smith

BRITAIN yesterday set out its post-cold-war defence strategy designed to allow the UK to respond to a threat anywhere in the world rather than just in Europe.

"The strategic environment has been transformed over the last four years," said Mr Malcolm Rifkind, defence secretary, in the defence government policy document (white paper) published yesterday.

The distinction between tasks in Europe and "out of area" had become blurred, the white paper says.

Policy aims in place since 1975 should be replaced with

three new overlapping roles:

- The protection and security of the UK and dependent territories, even when there is no external threat.
- Insurance against any external threat to the UK and its allies.
- Promoting the UK's wider security interests through the maintenance of international peace and stability.

Backing this up, the government confirmed its order for a fourth and final Trident nuclear submarine to be built by Vickers at Barrow-in-Furness, Cumbria in north-west England.

Britain's new defence roles replace a four-pronged policy which specified commitment to

Nato, the UK, mainland Europe, and sea power in the eastern Atlantic and the English Channel. Mr Rifkind said that Nato nevertheless remained the "bedrock" of UK defence policy.

Defence spending would rise slightly in cash terms over the next three years, the white paper says. Mr Rifkind said this still represented savings of up to £4bn a year in real terms by the end of that period. Such cuts were "right and proper".

Britain was not a global power and its ability to contribute to worldwide operations would be limited, he said.

"We are a middle-ranking European power — a small island in the northern hemi-

sphere," Mr Rifkind said.

Defence has already been identified by the treasury as ripe for cuts in this year's public spending round.

Mr John Townend, the chairman of the Conservative backbench finance committee, said the UK could take on an international peace-keeping role, but the new strategy should not mean that the UK had to bear a "disproportionate" share of the cost.

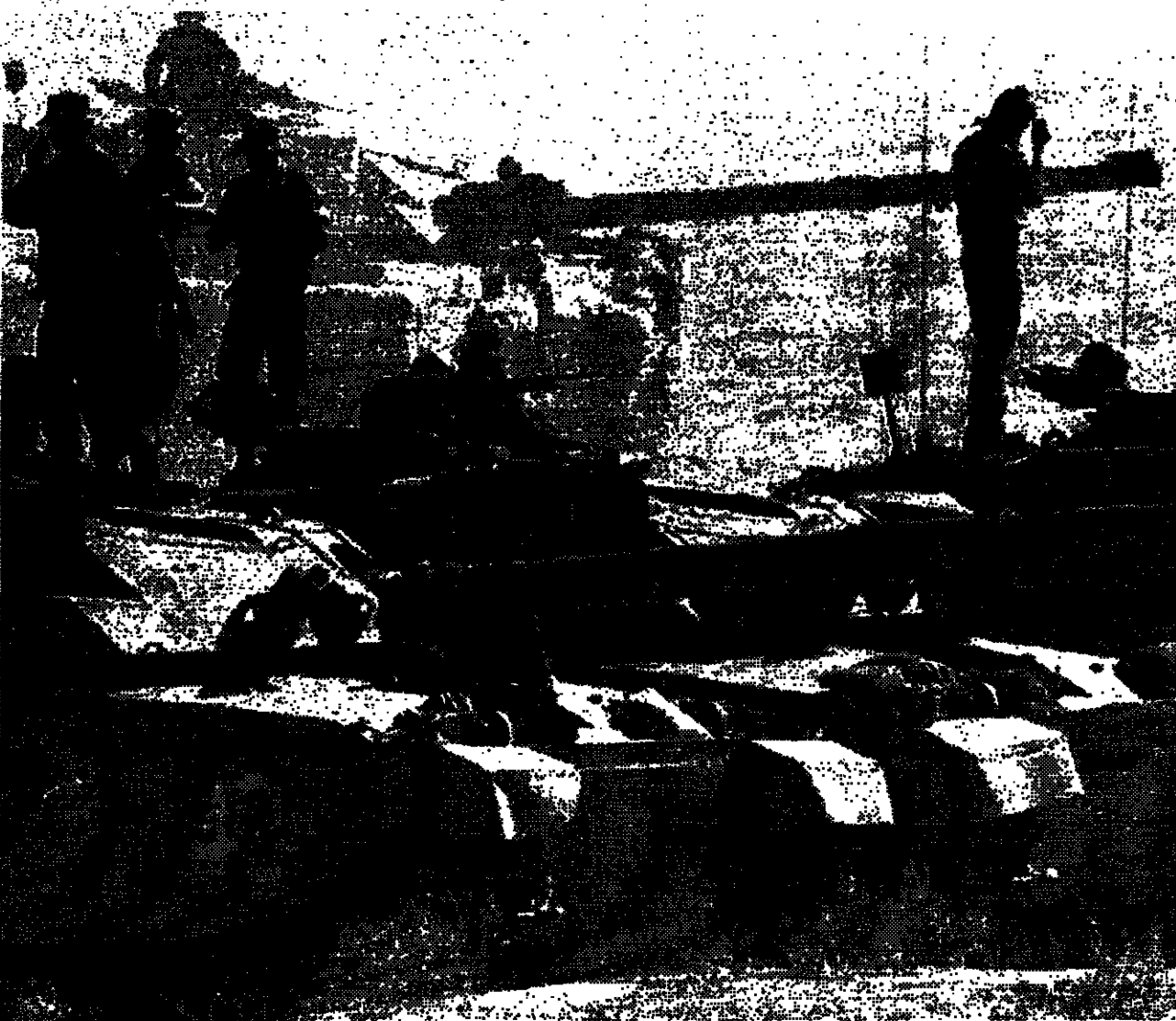
The white paper reveals that the UK will have received £2bn in cash from Gulf war allies in payment for the UK's involvement. The result is that the war will have cost the UK £500m.

Opposition spokesmen con-

demned the white paper as a "catalogue of lost opportunities" which showed no evidence of fresh thinking.

Mr Martin O'Neill, the shadow defence secretary, highlighted what he called the paper's failure to deal adequately with the "challenge to maritime security and air power presented by the new world order".

Mr Menzies Campbell, Liberal Democrat defence spokesman, said that the government had failed to face reality on nuclear defence. "We need the fourth submarine but we do not need any more warheads on Trident than there are on the Polaris system", he said.



Challenger tanks take part in a simulated battle in the Saudi Arabian desert prior to the Gulf war

## Report targets Gulf hardware

By Paul Abrahams

RELIABILITY of army land vehicles during the Gulf war was criticised yesterday in the annual government policy document (white paper) on defence.

The report said reliability problems had considerable implications for operations and had only been overcome by a disproportionate application of maintenance and spares which had to be loaned or purchased from allied and friendly countries.

In spite of such problems, preliminary lessons from the war suggested no major changes in British military doctrine and organisation were required. The report said the Gulf campaign exposed a number of shortcomings, although these should not detract from an outstandingly

successful operation.

Problems highlighted by the white paper will provide the armed services with opportunities to lobby for projects such as the European Fighter Aircraft and the army's new anti-tank helicopter.

The performance of Challenger 1, the British army's battle-tank manufactured by Vickers, was described merely as "effective." The tank's reliability and fire control system were limiting factors, says the report. Since the war, the Ministry of Defence has put in an order for about 130 new-generation Challenger 2 tanks.

The paper says older support and engineering vehicles were unable to keep up with more modern equipment and were left behind.

The report also lobbies for a replacement for the Lynx, anti-tank helicopter saying the

aircraft lacked the survivability required in an attack helicopter. The army has indicated a strong preference for the American AH64 Apache. Westland of the UK has reached an agreement with McDonnell Douglas of the US for a British-assembled version.

The Midge drone, used to provide airborne surveillance, proved unreliable and unable to provide real-time information. A new remotely piloted vehicle, called Phoenix, is due to replace Midge in 1993.

The report attempts to explain why the Royal Air Force lost six Tornados GR1 jets. It denies this was because they were flying low to use the airfield denying weapon, JP233. Only one jet was lost on a JP233 mission.

However, four of the aircraft were lost at low level, the only height where the jet's sensors

and weapon systems could be effectively employed. The report concludes the conflict demonstrated a need to a more flexible approach to future RAF training requirements. It also argues it showed the importance of achieving air superiority and the value of an agile aircraft such as EFA.

British intelligence organisations are cleared of misreading President Saddam Hussein's intentions. Intelligence resources at the time were focused on the changes in eastern Europe and the then Soviet Union.

The whole campaign cost the UK about £2.5bn, according to the paper. The Ministry of Defence said yesterday about £1.5bn had already been supplied through burden sharing and it expected approximately £500m to be provided before the end of the year.

## Heseltine to press for shake-up in energy market

By Neil Buckley

THE UK will use its presidency of the European Community to push for urgent liberalisation of Europe's energy market, Mr Michael Heseltine, trade and industry secretary, said yesterday.

Speaking at the Financial Times conference on North Sea Oil and Gas, Mr Heseltine said the segregated energy market was a "major anomaly within the new Europe now taking shape."

If the aim of a genuine single European market was to be achieved, he said: "It is self-evident that nation states cannot simply pick and choose which Single Market measures they are prepared to adopt."

He said the UK would press for:

- The removal of statutory monopolies across Europe, so that other players could enter the market.
- Greater transparency between production, transportation and supply, to eliminate cross-subsidies and allow new market entrants clearly to assess the challenges.
- Open access to existing pipeline and transmission infrastructures for new suppliers.

Mr Heseltine warned that the segregated energy market led to significant disparities between energy prices in member countries. This could harm the competitiveness of industry in some countries, and of Europe as a whole.

## European Court rules on British pension payments

By Norma Cohen, Investments Correspondent

THE UK government yesterday won a significant victory in its efforts to reorganise state social security provision when the European Court ruled that British men can legally be required to pay contributions for a longer period than women.

Mr Peter Lilley, social security secretary, termed the ruling "good news" and said it would allow the UK to get on with its task of reorganising social security provision to eliminate variations between men's and women's benefits.

The DSS is considering several options to equalise the age at which men and women may retire. Rules allow women to retire at 60 while requiring men to wait until 65, but said it was unfair to require men to pay contributions longer than women to achieve the same benefits.

In its ruling, the EC said that a 1979 directive on social security benefits allowed for a transitional period during which member states could phase in equitable retirement schemes. "It can be deduced from the nature of the exceptions contained in the directive that the Community legislation intended to allow member states to maintain temporarily the advantages accorded to women with respect to retirement in order to permit them progressively to modify the pension systems without disrupting the complex financial equilibrium of those systems."

marvellous ideas but somebody has to pay for them."

Only four European states have so far fully equalised benefits for men and women and one of them, Germany, has yet to equalise contributions. Of those which are planning equalisation, most are considering a retirement age of 65 but Ireland plans to require waiting until 66 while Denmark will equalise at 67. The UK is currently considering options ranging 60 to 65.

The case was brought by the Equal Opportunities Commission which argued that current UK social security rules on contributions are discriminatory. The commission did not argue against the current practice of allowing women to retire at 60 while requiring men to wait until 65, but said it was unfair to require men to pay contributions longer than women to achieve the same benefits.

Mr Paul Greenwood of the consulting actuaries Mercer Fraser, said that if the judgment had gone against the UK, the government could have been forced to spend billions to immediately end the system of differential contributions and make retrospective payments to men going back to 1984.

Mr Roger Key, partner at Watson's, consulting actuaries, said the decision reflects the Court's recognition of the great difficulties involved in revamping public social security benefits. "They have said it is all well and good having these

## London's trade role faces invisible threat

The City of London's international trade in financial services, known as "invisibles", is being threatened by deficiencies in the "invisible infrastructure", according to an exhaustive investigation called the City Research Project.

The invisible infrastructure is the system of regulating and policing the City - the regulatory authorities and the legal structure.

Professor Richard Brealey, who led the London Business School team commissioned to write the report by the Corporation of London, says one such threat is the proliferation of official bodies with an interest in the development of financial markets.

Professor Brealey believes that this lack of a "single or co-ordinated focus on London's international competitive position" is an obstacle to collective action to solve any perceived problems in the City.

On the other hand, he agrees that the creation of a "super authority", combining all regulatory and sponsoring powers, would not necessarily be the best solution. Such a body would be huge and unwieldy.

Another invisible threat is the imposition of new regulations on the London market in the form of European Community directives. In this case, these Europe-wide rules may not be sensitive enough to the needs of Europe's most sophisticated markets in London.

He is less pessimistic about the damage done by London's more visible problems, such as its aging and congested transport system.

The report, brainchild of Mr Stanislas Yassukovich, investment banker and former chairman of what was the Securities Association, contains a long list of potential problems for the City but an almost total absence of solutions.

A programme of action may not be drafted. The interim report published yesterday was

## Robert Peston looks at the City Research Project and its findings

the result of six months of interviews with 200 City figures and the distillation of thousands of pages of statistics. Professor Brealey has another two and a half years of research in front of him.

He defines an international financial centre as having two characteristics: a relatively high level of cross-border transactions and a concentration of offices of foreign financial institutions. On that definition, London is the world's biggest international financial centre - as distinct from being the world's biggest financial centre, since the domestic business carried out in New York and Tokyo far outstrip London's.

The greatest concentration of financial employment in the world is in London, according to the report. Government figures show that 630,000 people worked in finance and business services in London in 1989, around 100,000 more than in New York.

London contains the greatest number of foreign banks of any financial centre. Even in 1991, a year of recession in banking, 31 new banks opened a London office and 15 banks departed. There was a net loss of US banks from London, but these were replaced by Japanese and continental ones.

There may be little sign of banks leaving London, but other centres are attracting new banks in greater numbers. At the same time, London's large share of total international bank lending is declining slightly, according to fig-

ures from the Bank for International Settlements, the international forum of bank regulators. Nonetheless, if foreign lending to domestic residents is excluded, London is the largest international banking centre with a 16 per cent share, compared with 15 per cent for Tokyo.

One of the more surprising conclusions in the report is that London's biggest business by a wide margin is in foreign exchange dealing. Professor Brealey has for the first time tried to compare the gross revenues generated by different financial services, though his attempts have been hampered by the paucity of reliable data.

He admits his figures may need revision but believes the positions of the eleven financial services shown in the above table are broadly accurate. The gross revenues include commissions, fees and "spreads" on trading and lending activities - or the difference between buying and selling prices - but take no account of a business's overheads.

Nonetheless the importance of the banking sector to London is demonstrated clearly, given that foreign exchange trading and international bank lending are respectively the top two earners in the City.

Given the relative importance of foreign exchange trading to London, any move towards monetary union in the European Community will have profound effects for London. Professor Brealey does not believe the disappearance of trade in sterling, francs and other European currencies would be too damaging.

Nonetheless, it is clear why the government attaches great importance to the location of a European central bank or its money market dealing arm in London. The rewards for the City of being the dealing centre for a unified European currency could be huge.

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## Britain in brief



### EC allows sleepers in tunnel

British Rail's long-delayed plans to run sleeper trains through the Channel tunnel to the Continent were given provisional approval by the European Commission.

The EC's competition directorate indicated that it was prepared to let the services go ahead provided BR and its Continental railway opportunities did not attempt to bar

other train operators from setting up in competition. • Eurotunnel, the Anglo-French company building the Channel tunnel, yesterday announced that the shuttle train service that will carry lorries and cars between Folkestone and Calais from autumn next year is to be known as Le Shuttle.

### Threat from UK lenders

Two of Britain's biggest mortgage lenders threatened to raise mortgage rates unless there was a cut in bank base rates. The statement was provoked by the launch yesterday of a new National Savings product, the First Option Bond.

### Bank to back supervision

The Bank of England is expected today to respond to the criticisms of a Commons select committee and back stronger banking supervision laws following the collapse of Bank of Credit and Commerce International.

Extra powers to act against banks whose opaque or internationally-spread structure makes regulation difficult are expected to be proposed by the Bank in its formal response to the cross-party Treasury select committee investigation into the affair.

However, the Bank is expected to delay until after the publication of the official inquiry into BCCI, under Lord Justice Bingham, its detailed response to specific criticisms of the closure of bank more than a year ago.

### Offer tightens power code

Offer, the electricity industry watchdog, has made its first real move to tighten electricity regulation since the industry was privatised two years ago. It has proposed a substantial cut in the charges electricity consumers pay for using the national electricity network, owned by the National Grid company.

• In a separate development pressure is growing for extra powers to be given to the director general of Ofwat, the water industry's regulator, to direct Britain's privatised water companies to pay compensation to customers who have suffered from poor service.

### EC ruling on deportation

The European Court of Justice in Luxembourg ruled yesterday that Britain had wrongfully deported an Indian man married to British national who had returned to the UK after working in another Community country.

## £1,000 bid wins TV channel

An army of 2,000 video recorder returners will visit every home in London to clear the way for the launch of Britain's fifth national television channel.

The strategy, which will cost a total of £75m across the country, was unveiled yesterday as a consortium led by Thames Television submitted the only bid for the Channel 5 licence to the Independent Television Commission.

The bid was for the minimum figure of £1,000 a year.

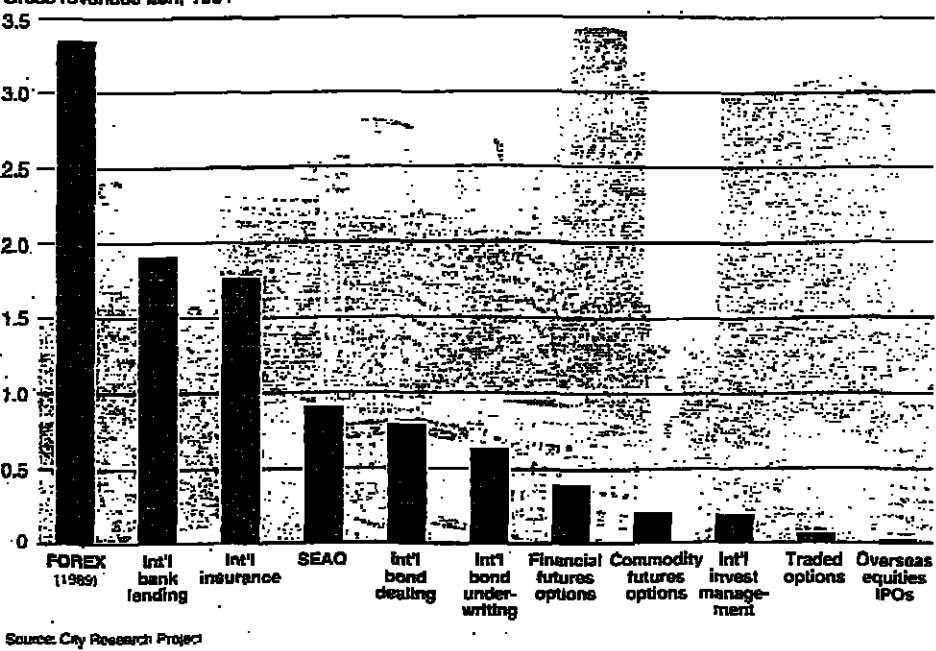
## Tension over Ulster talks

Northern Ireland Unionist leaders presented their position papers in talks with the Irish government amid the first visible signs of the tensions the London negotiations have caused in Unionist ranks. Three local councillors announced their resignations from the Rev Ian Paisley's hardline Democratic Unionist Party in protest at the leaders' presence at the Lancaster House talks.

The talks represent the widest-ranging negotiations on Northern Ireland's political future to be held in 70 years. The chairman of the talks is Sir Mairin Stephen, the former governor-general of Australia.

## How the City earns its money

Gross revenues £bn, 1991



Source: City Research Project







## Investors flexing greener muscles

By Peter Knight

While investment has long been used to wield clout in the human rights arena, City of London investors are at last beginning to flex their muscles on environmental issues.

London fund managers last month received their second formal briefing from environmental groups and say they want to hear more.

The first came in April, when a pressure group based in Cornwall, called Surfers Against Sewage, presented its case against some of the sewage disposal methods used by South West Water, a listed company. Then last month Greenpeace argued against the business of incinerating toxic waste.

The meetings were organised by Roger Hardman, the environment analyst at stockbrokers James Capel. "It is a very forward thinking move on the part of James Capel," says Steve Warshel, editor of Greenpeace Business.

Hardman, impressed with the turnout, wants to organise more meetings. "These late afternoon briefings are usually used by many fund managers as an excuse to catch an early train home. They're usually out the door by five. But at the Greenpeace meeting, the last person did not leave until 6.45pm."

Environmentalists have acknowledged, but seldom exploited, the power of the investment community to create change in industry's environmental performance. But the success of green investment funds — where fund managers screen their investment decisions according to environmental criteria — has shown that pressure can be exerted on industry via the investor.

Given that some of the mystery surrounding the investment community is being lifted and the public is beginning to know more about the way investment works, it is possible that environmental pressure groups could target specific well-known companies, such as insurers.

These household names could be put under pressure — by the threat of consumer resistance — to include environmental criteria when building their investment portfolios.

Furthermore, the City is slowly becoming aware of the possible impact of tough new environmental laws, many led by the EC, which could affect profits of dirty companies. There is also a fear that companies, and possibly their lenders and insurers, will be made liable for

the cost of cleaning up pollution. Meanwhile, both the pressure groups and the fund managers are learning to talk to each other. "I don't think Greenpeace could have presented their case any better without diluting their message," says Hardman.

Warshel of Greenpeace says he was surprised at the audience's lack of knowledge and understanding of incinerators. "But they seemed quite receptive to our argument that toxic waste incineration is an industry that will not grow."

Marion Carter, an environmental consultant to most of the UK's waste managers, says there is a role for pressure groups in pushing for change in industry. "But I think it is very dangerous to say to fund managers that they should not invest in the waste management industry, because you would then have a problem of what to do with the waste."

Kate Medd, a fund manager at Henderson Administration, was impressed by the quality of the Greenpeace presentation. "They have a legitimate point of view and they can back it up."

Edward Bonham-Carter, fund manager of the Electra Investment Trust, is less impressed. "The whole tone of the Greenpeace presentation was too much like a biology class for 16-year-olds. They would do much better if they gave a far more detailed analysis of practices and companies."

He says issues about the quality of life are set to increase in importance over the next 10 years, which will have an effect on investments. He would like a debate between industry and pressure groups on issues such as incineration.

"But I will certainly go to another one of these meetings," he says.

Mark Campanale, a researcher for the Merit Ecology Fund, says most City analysts have no experience of the environment. "The City is virtually illiterate when considering environmental concerns. It's just not part of the traditional investment equation."

"James Capel should be applauded for getting people thinking about wider issues. But if Greenpeace is going to succeed in getting its message across, it should switch on to the fact that it is companies that both create and solve problems. They've got to present their case on specific companies and in great detail."

## John Griffiths finds Mazda pushing ahead with an emissions-free fuel

Mazda, Japan's fourth largest car maker, is shortly to seek Japanese government approval for an on-highway test programme for hydrogen-powered cars, whose exhaust "fumes" consist of non-polluting steam.

The company has concluded that hydrogen-powered cars are technically achievable more quickly than is commonly believed within the industry.

Over the coming months, it plans to start negotiations with Californian state authorities on making hydrogen cars acceptable under the strict new exhaust emissions legislation that California is phasing in from 1997 onwards, and to explore possible systems for refuelling them.

Part of the Californian legislation, which is being considered for adoption by up to a dozen other states, requires 2 per cent of manufacturers' sales to be of "zero emission vehicles" from 1998, rising to 10 per cent by the early 21st century.

Virtually the entire motor industry has accepted the fact that the legislation's time scale can only be met with battery-powered cars.

But while Mazda has already developed its own battery cars to meet the legislation, Michinori Yamanouchi, senior managing director of Mazda Motor Corporation, says that electric vehicles in general will be far too expensive and limited in their performance to have anything but a restricted future as urban runabouts or light commercial vehicles.

According to Mazda, the Wankel rotary petrol engine — which it alone among car makers, now produces — can be adapted more easily than conventional petrol engines to run on hydrogen. Cars fitted with it could reach the marketplace for a price about 20 per cent higher than a petrol-powered equivalent — "in other words for about the cost of air conditioning and audio equipment", says Yamanouchi.

In contrast, he says, "we estimate that even if electric vehicle technology really advanced, their price would be twice that of a gasoline car at minimum. And that price ratio would be the same even if a manufacturer were to be making 10,000 units a month."

Mazda is by no means alone in researching hydrogen-fuelled cars. Mercedes and BMW of Germany are among those which have produced prototypes.

However, difficulties with combustion in adapted, conventional reciprocating engines and on-board fuel storage, and scepticism about the ease with which a hydrogen manufacturing and refuelling infra-

## Hydrogen car moves on to the horizon



Mazda's RX-8 prototype: the company believes the vehicle is far nearer to realisation than do many in the industry

structure could be set up have led most manufacturers to suggest that viable hydrogen cars are still years off.

According to Mr Yamanouchi, the design of the rotary engine eliminates the premature combustion problems normally associated with using hydrogen as a fuel in conventional engines.

Mazda has also launched a collaborative project with Nippon Steel Corporation, Japan's largest steel maker, to set up a pipeline fuelling supply system for the test programme, using as the feedstock hydrogen from one of Nippon Steel's manufacturing plants, where hydrogen is a major but mostly wasted by-product.

Yamanouchi expects the steel industry to be a future producer and marketer of hydrogen in its own right.

Chemical plants, which generate hydrogen as a by-product, could be also harnessed to localised supply networks. In Japan there will be a network of hydrogen fuelling stations by the early 21st century, he predicts.

Mazda's vision of a fuelling infra-

structure for hydrogen is based on it being in gaseous form. BMW, in contrast, has based its prototype on the use of hydrogen in liquid form, requiring insulation of both fuelling system and the vehicle's fuel tank to allow temperatures close to absolute zero.

"If the determination is there, we can set up hydrogen pumps and pipelines fairly easily in terms of technology and finance," Yamanouchi says.

He is also relatively dismissive of concerns about the safety aspects of hydrogen, should it leak into a boot interior, for example. It is undetectable by sight or smell, but Yamanouchi insists that, being lighter than air, it would disperse quickly — and it possesses a combustion point higher than gasoline.

Mazda regards the biggest problem as how to store the hydrogen in sufficient volumes in the vehicle. Its solution, adopted also for the prototype Mercedes fleet, is a fuel tank filled with a metallic hydride capable of soaking up large quantities of

gaseous hydrogen and re-releasing it when heated.

Fitting enough hydrogen into the tank is still a problem, however, as it is a much less dense fuel than gasoline. Nevertheless, one prototype has achieved continuous running for 200km at maximum speeds of 150kph.

Yamanouchi predicts that in 30 years' time petrol or diesel-powered cars will account for just 10 per cent of the world's total car output, having been supplanted mainly by hydrogen cars but also by a much smaller proportion of battery-powered urban vehicles.

As for California's forthcoming legislation, Mazda believes that the problems of limited range and performance of battery-powered cars, and even their refuelling infrastructure, will become much more apparent as its enactment draws nearer. It believes that California's Air Resources Board and other legislative bodies involved will face a sea of difficulties in persuading Californian motorists to buy and use them.

"Already, I have heard that the ARB is feeling itself as Hamlet in Shakespeare," says Yamanouchi.

Mazda therefore expects the Californian authorities to welcome the proposals for a hydrogen alternative.

It is considering talking to other manufacturers that have an interest in the technology for a co-operative approach to introducing hydrogen cars to California.

Among those most likely to be interested is Mercedes, which last year updated its thinking on hydrogen vehicles in the form of the F-100 concept, shown as Mercedes' "car of the future" at the Detroit motor show.

Even Mazda, however, acknowledges that production of hydrogen — on the huge scale required to provide significant substitution for petroleum — is a large technical challenge.

Hydrogen may be the most abundant element in the universe, and the ninth most abundant on earth, but making it from water — the most sensible route on a large scale — involves electrolysis, using a direct external energy source. Clearly, if the energy to provide this came from fossil fuels, the whole exercise could be self-defeating from both the emissions and energy conservation points of view.

For large parts of the transport-using world — not least sunny California — solar energy could prove the answer. One group highly active in the field, Texas Instruments, claims already to be generating solar electricity at close to the domestic tariff rate of Southern California Edison, the electric utility.

## Danes see dawning of era for biorefining

A biorefinery, designed to use agricultural crops for such non-food purposes as making paints, glues, plastics and other products normally based on mineral oil, has begun work in Denmark.

Financed by the EC's Eclair programme, the project — known as the Whole Crop Biorefinery Project — involves companies and research institutes from the UK, Ireland, Germany, Greece and Denmark. The hope is that biorefining will reduce environmental damage and agricultural surplus, while creating jobs.

By techniques like those of oil refining, crops can be broken down into fibres, oils, proteins and starch. The "raw materials" derived from purified crops can replace oil in producing paints, plastics, glues, packaging, fibre-board and chemical and pharmaceutical products.

Scientists claim that this would reduce environmental damage. Manufacturing products based on crop constituents would not increase CO<sub>2</sub>, sulphur and heavy metal levels in the atmosphere as much as the production of crude-oil based goods, they say.

Administrative project co-ordinator Christian Kjoller said the concept of using agricultural crops for non-food purposes had attracted increased interest during the past decade, but few products had been put to commercial use. "The EC's grain surplus is an expensive burden. It stands to reason that we must study the possibilities of using agricultural products for other purposes. By means of biorefining, imported raw materials can be replaced by domestically produced ones and can positively influence the European balance of payments as well as employment."

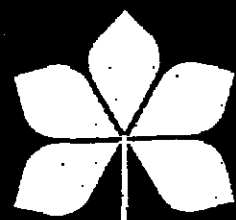
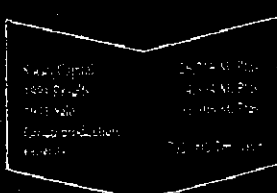
The Ecu9.7m (£6.8m) project is financed by the Eclair research programme, the Danish government and partners from England, Ireland, Germany, Greece and Denmark. Headed by the Bioraf Denmark Foundation, the pilot plant in Aakirkeby, Bornholm will run for three and a half years with the aim of establishing others.

Kjoller stressed that expertise had been sought from five European countries and that the project would otherwise have been impossible in Denmark.

Sarah Pilkington

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## MANAGEMENT

# Marriages of convenience



AT THE CROSSROADS

## PART THREE:

Charles Leadbeater

looks at the group's joint ventures

Six days into the new year of 1989, the relaxed calm of a Friday afternoon at General Electric Company's headquarters was shattered by bad tidings from the City.

A plot was afoot to assemble an international consortium called Matsun; its purpose to dismember GEC, the company which Lord Weinstock had spent almost 30 years building up.

This was his most perilous time at the helm of GEC. The company's future hung in the balance and he knew that if the Matsun bid succeeded, GEC's dismembered parts would be carried off by a hungry pack of international competitors. He also knew that to see off the threat GEC needed to take some fateful decisions itself. In three months of hectic negotiations that winter GEC formed three vital joint ventures. The alliances were not solely a response to the threat of takeover but the combined effect was that GEC conceded shared sovereignty over large parts of its business.

These alliances now generate about a third of GEC's £9.4bn turnover and 43 per cent of its operating profits. If they were to unravel GEC could be cut off from its paths to international growth.

The roots of the drama lay in 1986 when GEC made its initial bid for its close rival, Plessey. GEC wanted to combine their businesses, making telecommunications equipment and defence electronics. The aim was to rationalise the British electronics industry in the way it had the electrical industry more than 20 years before.

The Monopolies and Mergers Commission rejected GEC's bid because it feared competition in defence markets would be eroded. But GEC remained under pressure to expand by acquisition. The City was breathing down Lord Weinstock's neck, keen he should spend the £1bn cash mountain the group had accumulated.

Lord Weinstock's way around monopolies obstacle was to bring in Siemens. The German company would help to provide GEC and Plessey's telecommunications businesses with the scale they desperately needed. Siemens would buy some of Plessey's defence activities to alleviate the Ministry of Defence's concern over GEC's growing monopoly in defence electronics.

This revived interest in Plessey, however, rebounded upon GEC. Its record was subjected to unrelenting public scrutiny and Plessey came out fighting.

It became a prime mover in Matsun. The consortium was orchestrated by Lazards, the merchant bank, fronted by Sir John Cuckney, then chairman of Westland, and backed by Barclays Bank. And even more menacingly this grouping tried to entice General Electric and AT&T of the US to join a bid.

The threat was great. But before Matsun could take shape Lord Weinstock announced his second major European joint venture, a wide-ranging deal with Alstom of France to create an engineering business with turnover of about £5bn.

The deal was finalised at Lord Weinstock's country house in Wiltshire. A few days later, when the venture was announced, Matsun broke cover. Lord Weinstock knew he must then move swiftly to head off the threat of a bid. It took him just a week to break up the consortium.

He started secret talks with Mr Jack Welch, General Electric's chairman, and lured the US group away from Matsun.

He and Mr Welch agreed a joint venture in consumer appliances, while GEC promised to pull out of the European medical electronics market to give GE a clearer run. The US group was also brought into the alliance with Alstom, supplying gas turbine technology.

That agreement sounded the death knell for Matsun, and four months later the monopolies commission cleared the joint bid for Plessey.

Now the ring of joint ventures makes it extremely unlikely that GEC will ever be broken up: most of the companies which once might have launched a bid are signed up as the group's allies.

GEC executives discount the risk that the partners - Siemens, Alstom and GE - might club together to carve up their partner. "They dislike one another more than they dislike us," says one.

But how much might GEC eventually have to pay for the construction of this Matsun line of joint ventures? Has the group warded off a break up bid only to risk allowing the company to dissolve gently as it

loses control to partners who have stronger management, international market positions or technology?

These ventures have opened up avenues for GEC to expand internationally, particularly into continental Europe where it was weak and where opportunities for large acquisitions were virtually non-existent.

However, they could also be a disguise for its lack of international scale and competitiveness in industries such as telecommunications. Indeed, has GEC been forced to look for partners because it lacks the resources to succeed internationally on its own?

The three ventures are quite different in their aims, the way they work and what they could mean for GEC's future.

● Mr Bruce Enders' bright red Lotus Elan sports car sticks out like a sore thumb in the drab corporate car park at the Hotpoint refrigerator factory in Peterborough. The American managing director of GEC's consumer appliances partnership with GE explains: "I decided to get a British sports car because I did not want to stir up any union trouble."

He is shaking up Hotpoint and Creda, GEC's consumer goods companies which make refrigerators, cookers and washing machines. Surprisingly little was done to rationalise Hotpoint and Creda's overlapping activities when they were solely owned by GE. Obvious opportunities to cut costs were not taken.

Now change has been forced upon Hotpoint by the UK recession and the alliance with GE is also driving reform.

Mr Enders, who used to work for GE in the US, has brought in total quality programmes. The legions of suppliers are being pruned and products are being redesigned to make them cheaper to manufacture. At least two of the group's five factories will be closed this year.

For GEC the partnership has brought access to the US group's research on new products. For GE the UK has become a further outlet for US-made components.

Hotpoint's future is clear: it fits neatly into GE's worldwide strategy for consumer appliances. This is the latest in a string of consumer appliance joint-ventures which GE has formed around the hub of its large US businesses. As yet there are very few GE components in a Hotpoint washing machine or refrigerator. But the number will grow and Hotpoint will gradually become more entwined with its US partner.

GE sees no need to buy the company to secure that relationship. The alliance serves its purpose for both companies. Their ambitions are strictly limited to consumer products. Initial plans that it should be the starting point for a much larger European business have been quietly shelved.

● GEC-Alstom is a different kettle of fish altogether. It is by far the most impressive venture, based upon the best Britain and France can offer in making heavy equipment such as generators and turbines for power stations, locomotives and rolling stock for railways.

The venture was not a response to the threat of takeover. World demand for power stations fell precipitously in the 1980s. That created huge overcapacity, which forced all producers to cut costs. In 1988 Asea of Sweden and Brown Boveri of Switzerland led the way by merging to create an integrated pan-European business. GEC and Alstom realised they had to respond or the ABB might stride ahead.

This was compounded by problems GEC and Alstom had in their own countries.

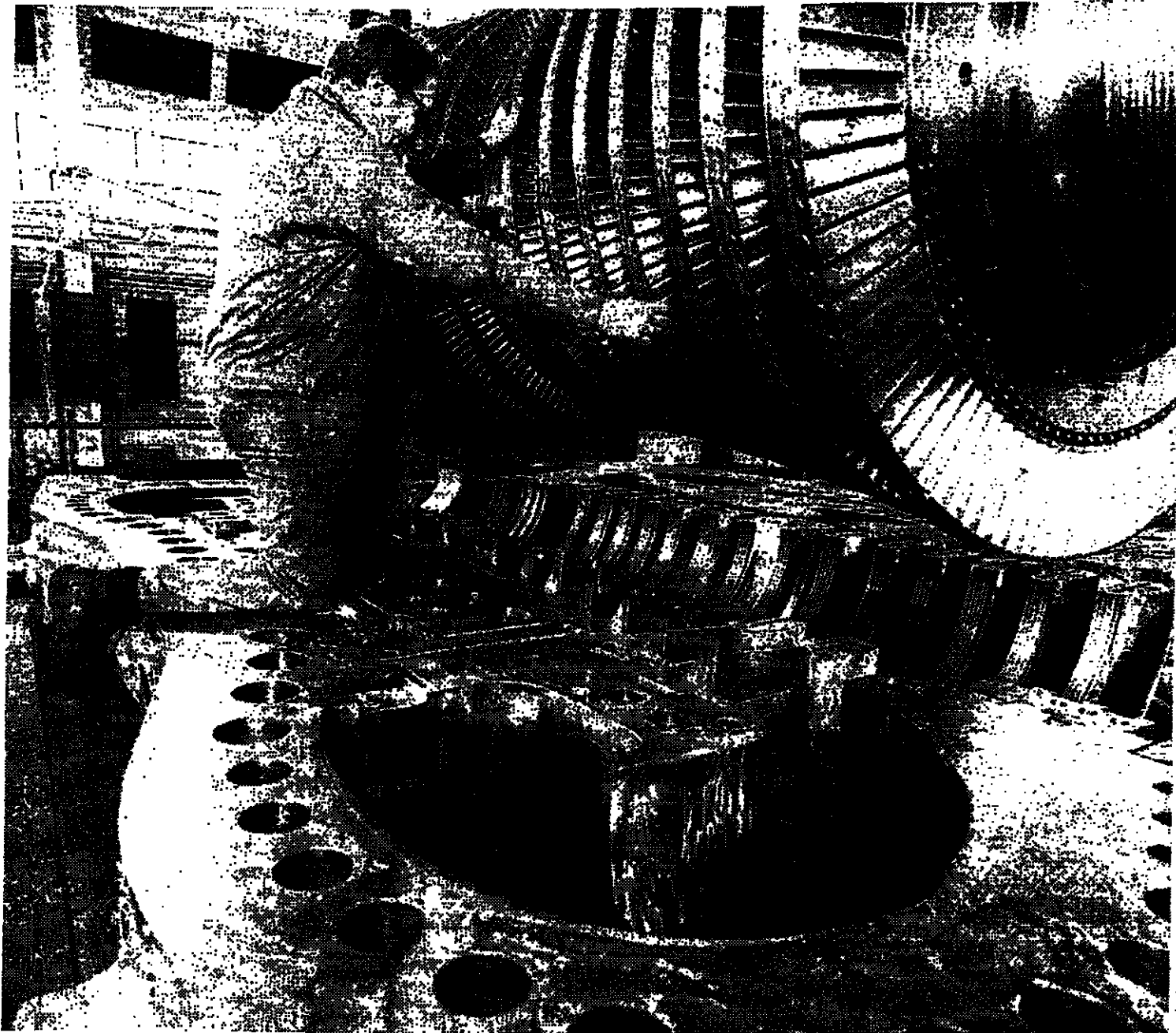
In the UK electricity privatisation created demand for power stations driven by gas turbines. GEC does not make gas turbines for power stations.

As Mr Mike Barrett, now in charge of GEC-Alstom's steam turbine division puts it: "We had to find a partner who could make gas turbines to get a share of the market. We could have been in desperate straits otherwise."

GE of the US which has the best gas turbine technology, has made it available to Alstom through an intimate relationship forged over two decades. Alstom's access to GE's technology made it a natural partner for GEC.

Alstom, the engineering arm of Alcatel-Alstom, was already conducting its own search for a partner because the French nuclear programme, which had sustained it for years, was in decline.

It got close to a deal with Siemens, but pulled out because the Germans wanted control. The French then found there was a very good fit with GEC, the only serious overlap being in manufacturing capacity for steam turbines, and the



**DRIVING FORCE:** Turbine manufacture at Rugby. Managers on both sides of the channel have found a new sense of dynamism through the GEC-Alstom joint venture

deal was done.

The venture got off to a rocky start. A clutch of UK orders for coal-fired power stations, which had filled GEC's order book, were suddenly cancelled. The first gas turbine orders in the UK went to competitors such as Siemens. But GEC-Alstom has overcome these teething problems.

Its order book has grown to £644.5bn (£210bn), compared with £641bn (£7bn) three years ago. It is the leading UK supplier of power station gas turbines and has just won an important order in Holland to build one of the largest combined-cycle gas turbine stations in the world.

The venture's pre-tax profits have risen from £64.4m in 1989-90 to about £64.4m this year as its profit margins have widened from 4.4 per cent to 5.3 per cent.

Managers on both sides of the channel are fired by a sense of dynamism. Red brick factories in France and Britain which have made power equipment since the 19th century are being modernised.

According to Mr Kelvin Bray, chief executive of European Gas Turbines, the venture's gas turbine arm, who has worked for GEC for almost 30 years: "It has given us momentum, size and reputation."

From GEC-Alstom's large plant in the fortress town of Belfort in northern France, Mr Claude Desroix, the general plant manager, a veteran of the Concorde project, offers another explanation: "We need a counterweight against German influence in Europe, politically and industrially. That is why this must work."

British and French managers mix in a relaxed fashion. French engineers are more theoretical than the British, who tend to be more pragmatic in finding solutions to problems. The British tolerate the French managers' love of long-term strategic thinking, while the French tolerate British commercialism. GEC's financial controls were introduced six months after the merger. Alstom's managers used to make

general financial reports once every six months. Now they make much more detailed reports once a month.

This financial rigour has already started to bear fruit. Mr Pierre Bilger, GEC-Alstom's chief executive, says: "Lord Weinstock has shown us how to use a financial system to understand a business. In France we have frequently felt it was negative and destructive to reduce the business to figures. Lord Weinstock has shown us how to put flesh on the figures."

The British managers have a spring in their step. Mr Jim Cronin, GEC-Alstom's finance director says they have been quick to pledge their loyalty to the venture: "GEC had no corporate identity abroad. They have that for the first time with GEC-Alstom."

There are, however, two potential sources of tension in this close relationship.

The first is the strength of French management. Some at GEC believe the French are quietly taking over by stealth. Most of the top jobs are filled by French executives. The most plausible explanation for this is the sheer quality of French management and their greater facility with language - Mr Bilger learnt English in six months, most English managers are still struggling with the basics of French.

The second factor is the two companies' different characters which stem from serving very different customers. Alstom was fed by France's commitment to nuclear power. GEC invested heavily in nuclear power for little return before electricity privatisation threw the UK nuclear programme into disarray. Alstom's strength in railway locomotives reflects the French government's 20-year-old commitment to the TGV high-speed train. The French are bemused by the British government's equivocation over investment in rail.

Last month GEC-Alstom won orders worth £509m from European railway companies for 27 high-speed trains, beating off competition from Siemens. In contrast British Rail this spring placed a £140m order for commuter trains with BREL, an affil-

iate of ABB, casting a dark shadow over the future of GEC's train making operations.

The strength of Alstom's base may tip the balance of power to the French. But it seems unlikely that the merger will break up or unravel. Lord Weinstock describes it as rock solid. And Mr Bilger says: "This merger is dictated by common interests. The factors which brought us together are not going to disappear."

GEC-Alstom is the extension to continental Europe of GEC's main achievement in the UK, the rationalisation of traditional heavy engineering. GEC is confident on this familiar terrain.

The same cannot be said of the other major joint-venture, the alliance with Siemens.

The troubled history of Britain's telecommunications industry cartel still haunts this venture: GPT, which is 40 per cent owned by Siemens and 60 per cent by GEC.

When Mr Karl Heinz Kaske, Siemens' chairman, and Lord Weinstock envisaged the Plessey takeover they envisaged it would be the foundation for an alliance encompassing telecommunications, defence electronics and research activities.

Those plans came to nought because of the US Department of Defense's objections to Siemens' ownership of US defence companies. This forced the two partners to redraw their plans for defence electronics.

And once the Plessey bid succeeded it did not take long for the two companies to find they had very different approaches to business. Most of Siemens' research is centralised. At GEC it is decentralised. Siemens has a hierarchical management structure. GEC is highly informal.

Mr Tony Cobbe, managing director of GPT's telecommunication systems division, has no doubts about the importance of the partnership with Siemens. He says: "Without it we could not afford to be involved in the next generation of big digital telecommunications switches. With this partnership we should be in the top five in the

world."

At the GPT factory on the outskirts of Liverpool, Mr Peter Gershon, the squat, energetic managing director brought in from the computer industry about two years ago, is unsparing in his account of the problems faced.

GPT's traditional business, supplying System X, the main digital switch used by British Telecommunications, is in decline and that threatens to open a gaping hole in the company's finances, unless it can generate additional income from new products such as video conferencing and mobile telephones. Success in these markets will require a revolution in manufacturing and marketing approach.

Mr Gershon is leading a ruthless clear out of the company's old management and ideas. Only one member of the GPT board is left from 18 months ago. The workforce has been cut by about 20 per cent to 16,000 and the introduction of some tighter financial disciplines this year has turned GPT into one of the main sources of the £350m growth in GEC's cash reserves to £876m. But the aim is not just to cut costs; it is also to push GPT in a new direction.

This change is being forced upon it as the UK telecommunications market is opened up to competition. Thus a financial fence has been erected around GPT's traditional business of supplying BT, to prevent it consuming the resources, technology and management which GPT's new businesses need to generate growth. Before, all the businesses used to carry some of the burden of the large overheads for the System X work. As a result many of the smaller businesses could not make the kind of returns needed to survive. Now they only have to cover their own overheads and this has reduced the financial burden upon them.

The new businesses come in two varieties. First, a range of new products, such as sophisticated public pay phone systems, video conferencing and mobile telephones is being developed. Second, the company is trying to turn itself into a telecommunications software house.

Computer software is becoming increasingly important in telephone systems, to integrate switches, exchanges and handsets. GPT wants to provide the software for Siemens' hardware. Mr Steve Harbour, GPT's marketing director says: "We are ahead of Siemens in this area because the liberalisation of the British telecommunications market has forced us to examine what customers want."

Back at head office, senior GEC executives believe the relationship with Siemens is stable. Lengthy negotiations over Vision One, the £2bn joint research programme to develop the next generation of large switches and mobile telephones have settled the most difficult question: how much each company would put into research.

However, many within GEC harbour doubts about the alliance's prospects. A senior GEC non-executive director highlights several areas of potential weakness: "GPT's capacity to stay with the game is not that convincing even with the

link to Siemens. The German company has not put all its telecommunications resources into GPT, which means GPT's interests do not always coincide with Siemens'. The short-term nature of GEC's financial controls makes it difficult for GEC to think about the future in the way that Siemens does."

There are three main sources of tension.

● The relationship is technologically unequal. GPT's technological dependence upon Siemens' strength in semi-conductors is reflected in Vision One. Not only is Siemens leading more projects than GPT, it is leading the big projects on public switches and mobile telephones. GPT is fitting into Siemens' plans as a specialist sub-contractor.

● The shareholding structure is unequal. This is not really a joint venture. Siemens has bought a minority stake in GEC's telecommunications business, but it has kept its own telecommunications business, which is Siemens' largest single division with a turnover of £11.26bn, completely separate.

● The two parent companies' management approaches are very different. Mr Walsh remarked: "We have to be more organised to work with Siemens, play to agreed rules. They do not like doing things by the seat of their pants, they are much more formal and a bit insular."

It seems unlikely that GPT will break up, if only because financial pressures will encourage GEC and Siemens to stay together.

It is almost certain that eventually Siemens will want to translate its technical predominance into management control by buying GEC's stake. But that is not on the cards at the moment.

Lord Weinstock explains: "There is no reason to think about selling to Siemens at the moment because we do not need the money. We have got cash building up again and we have just gone through tortuous negotiations to settle the business down."

Siemens has some much bigger problems of its own to sort out - the losses at Siemens-Nixdorf, the computer maker, the financial drain of its semiconductor business and its ailing nuclear power activities. For the foreseeable future the two partners will rub along together, trapped in a rather loveless marriage.

As a senior Stanhope Gate executive describes it: "With the French there is a friendliness, there may be arguments but there is a lot of bonhomie. Siemens has to have big meetings and they have to do things very laboriously."

But for GEC the success or failure of these ventures needs to be judged against the purposes they serve.

Financially they make sound sense. GEC-Alstom should generate good profits, as Alstom's technology pulls in the orders and GEC's financial controls drive down costs. Similarly, savings at GPT contributed to GEC's cash gains last year.

Also, by demerging the group through joint-ventures, GEC's sprawling activities have become more manageable. This is reflected in the impetus the ventures have delivered to GEC managers. Long-standing weaknesses which were not adequately addressed when GEC was now being addressed. GE is helping to rationalise consumer appliances; a revolution is under way at GPT; and at GEC-Alstom the British managers are revelling in a new found sense of identity and purpose.

The vital telecommunications and engineering ventures are the route GEC needs to take if businesses oriented to Britain and the Commonwealth are to gain a European base. In the past three years GEC's profits from continental Europe have risen by 42 per cent to £199m, offsetting a sharp decline in the UK.

The GEC-Alstom merger has created a business which should become one of the best companies in Europe. It is in excellent shape to take on the likes of Siemens or ABB, and GEC has found a European home for much of the UK's heavy engineering inheritance which is the envy of many of its competitors.

The alliance with Siemens does not have the same momentum. GEC's achievements in forming the venture with Siemens look feeble compared to the giant strides Alcatel of France made by buying ITT's European business - a move that made it one of the largest telecommunications groups in the world. However the venture has given GPT much needed breathing space.

Each of the ventures has a good rationale. But what of their consequences? GEC's consumer appliances business is being remodelled by a manager from GE who will take it ever closer to its US partner. French managers dominate the senior ranks of GEC-Alstom. And Siemens' technology means it will dominate and probably eventually control the telecommunications venture.

GEC is increasingly at one remove from the management of the assets which generate a rising share of its profits. The joint ventures are unlikely to lead to GEC being broken up by stealth. But it may become a semi-detached industrial group.

## PART FOUR TOMORROW

The Weinstock  
enigma



**FAST TRAIN:** Lord Weinstock with a mock-up of the Trans Manche Super Train which will be manufactured by GEC-Alstom.



## Song recitals

To London music-lovers Cheryl Studer is known as the face that launches a thousand record covers. The few live appearances she has made have told us relatively little about her. In Wagner's *Lohengrin* or as the gleaming top soprano in Mahler's Eighth Symphony, it has been Studer first and foremost as a remarkable voice who has left audiences wanting more.

The recordings have given us more - operatic roles many and various. Those are still eagerly awaited at Covent Garden and there seems to be no sign of them as yet. But, as a substantial make-weight, Studer appeared in recital at the Royal Opera House on Friday with Wagner and Strauss dominant in her programme, on the face of it a sensible choice.

Unfortunately there was disappointment in store. The opening Schubert group may have been largely an opportunity to warm up, but it introduced irritants which were to settle in for the evening. The pitch tended to sag in the middle of the voice. The singing bumped along the consonants. Nor was there a lot of spontaneity at this stage in her partnership with Irwin Gage, who was laying bare the inner workings of Schubert's piano parts with cool precision.

To my ears, this was the work of a singer who was trying so hard to do the right things that any natural sense of musicality was being pretty thoroughly smothered. One sensed Studer needing to break free from such small scale works and to some extent she succeeded in doing so in Wagner's *Wesendonk Lieder*, although even there the voice was asking for an orchestral accompaniment if it was to sound at its best.

The second half, in which she sang Richard Strauss, remained mixed. Slow songs continued to stagnate; but when speed or muscular strength was called for, as in "Ständchen" or "Zueignung", the singing took off with the help of Gage's exemplary playing, and Studer's potential as an interpreter of songs could at last be glimpsed. The audience response was enthusiastic. Warm enough, I hope, to encourage her to return in the operatic roles we all long to hear.

By chance, Wagner's *Wesendonk Lieder* turned up again three days later, when Anne-Marie Owens gave a recital at St. John's, Smith Square. This was an altogether less problematical performance, in which the music flowed easily. This mezzo does not pose difficulties of style for herself and the general amplitude and romantic warmth of the songs were well sustained, even if there is rather more depth in them than she finds.

In the past year or two at this hall, Malcolm Rutherford has come to judge the acoustics to a nicety and he gave his singer accompaniments with plenty of atmosphere. A Schumann group might have shown a more detailed grasp of the words; the Debussy songs and her Spanish selection settled into a warm-hearted, easy-going mood a little too often. All through, however, one felt musicianship naturally at work, singer and song in harmony together.

Richard Fairman



Lilliane Montevocchi and Brent Barrett

## Grand Hotel

Vicki Baum's original German novel of 1929 came to fame in the early 1930s as a Hollywood movie starring among others Joan Crawford and Greta Garbo, and was the vehicle for Garbo's celebrated line "I want to be alone".

Since then there have been remakes, including one called *Weekend at the Waldorf* with Ginger Rogers and Walter Pidgeon.

Much more recently the musical diversion has been a widely acclaimed hit on Broadway. The show opened with a different cast at London's huge Dominion Theatre yesterday.

Since a large part of the audience plainly appeared to enjoy it much more than I did, I shall be gentle. For every criticism I make, there is probably a perfectly reasonable response.

The adjective that most immediately comes to mind about *Grand Hotel* is "heavy". The hotel is grand in the sense of big, not splendid, rather as the Germans tend to have grand rather than big coalitions.

It might be said that this is Berlin 1928, so what do you expect from central Europe at that period? Well, I would have liked a few more jokes, a bit more sharpness and perhaps even some satire.

There is very little plot to speak of. Again it might be claimed that that is precisely the point. As the director/narrator says of the hotel "guests come, guests go, new guests arrive." True enough, but it is still pretty thin for a story line.

It is also odd to play a musical as big as *Grand Hotel* without an interval.

To be sure, the show last only 2 1/2 hours, but that is a long time for one sitting, and there is certainly room for a natural break. Possibly the task of getting the audience back to their seats in such a large theatre was thought too daunting.

Apart from that, how does one enjoy the music? The answer is not a great deal. *Grand Hotel*, with songs by Robert Wright and George Forrest, seems to me to lack the subtlety and sustained sweep of the best of Sir Andrew Lloyd Webber, by which I mean in particular *Satya* and *Phantom*, both of which have stories to go with them.

There are, however, some fine performances. Lilliane Montevocchi in the ballerina part once played by Garbo takes a while to warm up, but you can see the attraction of the role.

In the one scene that is remotely dramatic, Lynnette Perry distinguishes herself as the secretary whose seduction by her boss threatens to get out of hand.

Brent Barrett is an effective, powerful, and strikingly handsome baron, seven months behind with his hotel bill. Many people will admire Barry James as the Jewish book-keeper who ends a happy man, though for my part sentimentality is never far away from the whole show. The dancing - foxtrot, Charleston, ballet and waltz - is good.

*Grand Hotel* is directed and choreographed by the appropriately named Tommy Tune.

Malcolm Rutherford

Dominion Theatre.  
(071) 550 8845

## Bruce Springsteen

is temporarily stayed; something hints that the man means it, that he is offering himself as a prize example of how to win through, to take all that life can throw at you and come through on the other side wiser and eventually happier.

For several years it seemed as if the happily ensconced Springsteen - wife, two children - had settled for the carnal bliss and the occasional unheralded appearance

in other people's low-profile gigs. But a brace of albums earlier this year kickstarted a world tour, complete with new band and a rebirth of the Springsteen fervour. Those fans who spent the entire Wembley concert on their feet, arms outstretched, mousing every word of every song, and interspersing them with the ritual calls of "B-r-o-o-c-k-e-r", must have doubted that their time would ever come again. He is still a magnetic performer. The audience, starved of his hero for so long, was going to cheer him to the echo anyway, but the energy he expended and the intensity he created were prodigious. There is only one survivor from the E-Street Band in the new line-up and the sound seems crisper, more tailored than before; its neat lines and clean rhythms counterpoint Springsteen's rasping guitar.

Of course the latest songs do trawl familiar territory. The old material has been recycled and sorted, retaining enough to satisfy the faithful. But it does not jar against the new, for they rely still on straightforward harmonic skeletons and clean-cut structures; the framework has to be robust enough to take the emotional freight that Springsteen loads upon it.

It misfired very occasionally. The inevitable "Born in the USA", second in the running order, was dutiful rather than electric (and surely too slow), and even that was immediately countered with storming versions of "Local Hero" and "Darkness on the Edge of Town".

Afterwards he scarcely missed a trick, nor an opportunity to deliver a wise homily to the audience. The ingredients in his special brew of hard rock, soul and gospel, were constantly refreshed and mixed anew, and the fans knew they had seen the rebirth of their hero.

Andrew Clements

Wembley Arena. Further concerts July 9, 10, 12 and 13

## INTERNATIONAL ARTS GUIDE

### AMSTERDAM

Concertgebouw 20.15 Reinbert de Leeuw conducts the New Sinfonietta Amsterdam in works by Liszt, Wagner and Richard Strauss, with Thomas Zehetmair violin soloist in K. A. Hartmann's Concerto funebre. Tomorrow: Orchestre National de Lille. Fri, Sat and Sun; Frans Bruggen conducts Mozart (671 8345)

### ATHENS

ATHENS FESTIVAL. At the Odeon of Herodes Atticus tonight and tomorrow at 21.00, the National Greek Opera Ballet performs Mendelssohn's A Midsummer Night's Dream, choreography by Germaine Casado. Next week: Pina Bausch's Tanztheater Wuppertal. July 23 and 24: Sankai Juku, Japanese Buto Dance Theatre. July 29-Aug 2: American Ballet Theatre (322 1459)

### EPIDAUROS FESTIVAL

The annual festival of ancient drama in the 14,000-seat

amphitheatre at Epidaurus has performances of plays by Sophocles, Euripides, Aeschylus and Aristophanes on most weekends in July and August. This week's performances (Fri and Sat at 21.00) are of Sophocles' *Electra*, in a production by the National Theatre of Northern Greece.

Tickets are available daily at the Athens Festival box office (322 1459), or at the theatre of Epidaurus every Thurs, Fri and Sat (0753-22006)

### HAMBURG

Ray Charles and Nancy Wilson appear in concert tonight at 19.00 at the Freilichtbühne Stadtpark. Tomorrow at Delchthorhallen: final night of Jazzport 92, with Sergio Mendes and Brazil 92. Fri: Ringo Starr's All Starr Band. Next Wed: Dire Straits (270 1169). Daily in Deutsches Schauspielhaus: West Side Story (248713)

### LONDON

Covent Garden 19.30 Carlo Rizzi conducts John Cox's new production of *Il viaggio a Reims*, with a cast led by Montserrat Caballé, Della Jones, Sylvia McNair, Renée Fleming and John Aler. Runs till July 17, with next performance on Fri. Tomorrow: La Fille mal gardée. Sat: ballet triple bill including Ashton's *A Month in the Country*. The Royal Ballet season continues until Aug 8 (071-240 1066). Coliseum 19.30 Australian Ballet production of Coppélia.

Tomorrow till Mon: Giselle. The season runs till July 18 (with an extra matinee performance on Saturdays) and includes a mixed bill of one-act ballets next week. July 21-Aug 1: Alvin Ailey Dance Theatre (071-836 3161). Barbican 19.45 Iona Brown directs the Academy of St Martin in the Fields in Mozart's *Haffner Serenade* and Beethoven's First Symphony. Tomorrow: Shell-LSO music scholarship final. Fri: The Dubliners. Sat: Yehudi Menuhin conducts a Beethoven programme. Sun: Colin Davis conducts the LSO. Next week: Carl Flesch International Violin Competition (071-638 8891)

### MILAN

The final production of the season at La Scala is Cristoforo Colombo, a ballet choreographed by Alberto Mendez with music by Donizetti: five performances starting on Sat.

The opera company can be seen next week at the Seville Expo, where it will perform *La traviata* under Riccardo Muti (7200 3744)

### NEW YORK

Carnegie Hall 20.00 First of four Tchaikovsky concerts by the New York Philharmonic Orchestra conducted by Kurt Masur. The programme tonight and tomorrow includes the Violin Concerto (Midori), Capriccio Italien and Fourth Symphony. The remaining concerts are next Wed and Thurs (247 7800). Tomorrow at Avery

Fisher Hall: Janos Starker and Anton Nel join the Cleveland Quartet for string quintets and piano quartets by Beethoven, Mozart and Schubert (875 5030). Metropolitan Opera 20.00 Kirov Opera production of Tchaikovsky's Queen of Spades. Tomorrow: Boris Godunov (362 6000)

### THEATRE

● Best of Forbidden Broadway: tenth anniversary edition of Gerard Alessandrini's long-running, ever-fluctuating musical revue (Theatre East, 211 East 60th St, 838 9090). ● Dancing at Lughnasa: Irish National Theatre production of Brian Friel's story of five unmarried sisters living in 1930s rural Ireland (Plymouth, 236 West 45th St, 239 6200). ● Guys and Dolls: a revival of the Frank Loesser musical (Martin Beck, 302 West 45th St, 239 6200). ● Juke's Women: Alan Alda in Neil Simon's new play about an ageing writer trying to come to terms with the women in his life, past and present (Neil Simon, 250 West 52nd St, 307 4100).

● Ticketmaster answers inquiries and sells tickets for Broadway shows (307 4100) and rock/pop concerts (307 7171)

### PARIS

Opéra Bastille 19.30 Swan Lake: Ballet de l'Opéra de Paris in a new production of Vladimir Bourmeister's 1960

choreography. Daily except Sun till July 25 (4473 1300). Basilique de Saint-Denis 20.30 Claus Peter Flor conducts the Orchestre de Paris in Saint-Saëns' Organ Symphony and Fauré's Requiem (4243 7772). Opéra Comique 19.30 Maurizio Benvenuti conducts Michael Harp's Cologne production of two Rossini one-act comic operas: *La clemenza di matrimonio* and *I signor Bruschino*. Also Fri and Sun (4286 8883)

● An exhibition of stage designs by Pier Luigi Pizzi is on show at the Opéra Library Museum (8 rue Scribe) till Oct 18.

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8888.

### PRAGUE

A summer season of concerts has been organised in the city's historic buildings and gardens, with this week's programme built on the theme of Mozart in Prague. Tonight in Wallenstein Garden: Banda Classica from Switzerland plays works by Mozart, Dvořák and Jan Křiváček. Tonight in Monastery of St Agnes: Musici di Praga in a programme of Mozart concertos. Tomorrow in South Garden of Prague Castle: Ensemble Ars Rediviva in works by Mozart and Czech composers of his time. Advance booking at the Smetana

Hall (u Prasne brany 2, 232 5858). ● For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714).

### VIENNA

OPERA. Every Wed, Fri and Sat at 20.30 over the next six weeks, the Kammeroper performs its production of Don Giovanni at the Imperial Gardens of Schönbrunn Palace. The cast is headed by Danish baritone Boje Skovhus (512 0100).

CONCERTS. Anatoly Kotcherga gives a recital of Russian and Ukrainian romances and folk songs tonight at 19.00 in OSG-Haus (Brahmsplatz 8, tel 505 6794). Philippe Bender conducts the Orchestre Regional Cannes-Provence Alpes tonight in the Konzerthaus, with works by Roussel, Debussy, Ravel and Beethoven. Roberta Pili gives a piano recital tomorrow at Schönbrunn. Fri at Palfy: Vienna Atlantis Trio. Sat in Deutscherhof: Austrian Chamber Philharmonic plays works by Danzi, Lachner and Reicha. Sun in Rathaus: Beethoven concert (4000 8410).

THEATRE. Vienna's English Theatre (Josefsgasse 12) has performances of Ray Cooney's comedy *Run For Your Wife*, daily except Sun (402 1260).

### European Cable and Satellite Business TV

(all times CET)

#### MONDAY TO FRIDAY

CNN 2000-2300, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel 0800-0900 (Mon) FT East Europe Report - weekly indepth analysis from FTV 2130-2200 (Tues) Media Europe - what's new in European media business 2130-2200 (Wed) FT Business Weekly - global business report with James Belin 0830-0900 (Thurs) Media Europe 2130-2200 (Thurs) FT Eastern Europe Report 0830-0900 (Fri) FT Business Weekly

Sky News 0130-0200 (Mon), 2120-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

#### SATURDAY

CNN 0900-0930 World Business This Week - a joint FT/CNN production 1930-1930 World Business This Week

Super Channel 1800-2000 FT Eastern Europe Report

#### SUNDAY

CNN 1000-1100, 1800-1830 World Business This Week

Super Channel 1800-1830 FT Business Weekly

Sky News 1300-1400, 2000-2100 FT Business Weekly



## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
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Wednesday July 8 1992

## Russia's place at the table

A YEAR AGO it was Mr Mikhail Gorbachev's plea for assistance that closed the summit of the Group of Seven industrial countries. Rebuffed, Mr Gorbachev returned home to the August coup, the termination of his career and the break-up of the Soviet Union. This year it is Mr Boris Yeltsin's turn. But if he is too rebuffed, the west is likely to lose more than it did by its denial of Mr Gorbachev. Mr Gorbachev had no vision of economic reform; for all his faults, Mr Yeltsin does.

G7 leaders must resist Mr Yeltsin's mixture of braggadocio and begging. Russia, he asserts, should be allowed to sit at the G7's high table. What is more, as a "great country", Russia cannot be asked to abide by conditions imposed on lesser fry.

The G7 should make it clear that membership of this august club is only for those able to make a positive contribution to the management of the global market economy. Equally, there can be no question of pouring funds into bottomless pits of the Russian military-industrial complex. Nor can Russia be helped if it refuses to move rapidly towards a private market economy. Mr Yeltsin should also be reminded that the sufferings of the Russian people, both past and prospective, cannot be laid at the west's door.

Nevertheless, the west must take account of the way the unscrupulous will exploit popular discontent. The west may feel that beggars should not be choosers. But when the beggar is able to blow up the world, he can.

### Small carrot

The west's interest remains in helping him make the right choices. The question is how. The problem is not that the west insists on conditions. It is that it is concentrating most attention on the wrong conditions and, still more, that its carrot is too small.

A total of \$24bn is supposed to be on offer. But \$6bn is for a stabilisation fund that may never be activated and, if activated, is expected never to be drawn down. A substantial part of the rest is for relief of debt service obligations that will, in any case, not be met. In short, the fresh resources that Russia might obtain, even if agreement were reached, is less than half the \$24bn.

The west should reconsider both its priorities and the scale of assistance on offer.

The highest priority is rapid privatisation of land and of small and medium-sized enterprises as well as creation of a legal framework to ensure the growth of private enterprise throughout Russia.

### Budget constraints

The next priority is the commercialisation of state enterprises, debt restructuring and the imposition of credible budget constraints. Managers and workers in state enterprises must also see possibilities for enriching themselves when they make their enterprises more efficient.

The third priority is a system of payments that sustains commerce in the former Soviet Union, along with unification and convertibility of the rouble on current account. A fixed exchange rate is, for now, simply a fantasy.

The fourth priority is a macro-economic stabilisation at least sufficient to keep inflation under control and, ideally, sufficient to ensure that budget deficits can be financed without resort to the printing press.

Last, and not least, is continued debt service. Future historians will be astounded at the attention paid to sums that cannot be repaid and, in any case, barely matter against what is at stake.

The west will not obtain all that it seeks. But it must make sure that it does at least obtain an opening towards a private market economy. Without that, nothing should be given. Support should be given now without insisting upon all the other conditions. It should be made clear, however, that the further Russia goes, the more help it will receive. For really radical reform, the west should be prepared to offer as much as \$100bn in net transfers over five years.

As in Europe after the second world war, a durable partnership must now be established between serious Russian reformers and the west. The west should overlook Mr Yeltsin's bluster, persist in helping Russian reform and be prepared to distinguish what is essential from what is desirable.

Mr Yeltsin can, indeed, be irritating. But he offers what may prove to be a unique chance. It is one that must be taken.

## Stormy forecasts

IT HAS been a particularly chastening recession for Britain's economists. Spotting turning points is the hardest task for economic forecasters, as well as their *raison d'être*. But their recent record has been particularly bad. Having failed to predict the recession, most economists have been expecting Britain's recessionary cloud to lift for a year or more. Yet, defying the forecasts, it just keeps raining all the time.

Mocking economists is a rather cheap, if satisfying, pastime. Many professions require some ability to read the future, and politicians, business executives and journalists have all been fooled by the stormy nature of this cycle. Yet accurate forecasts remain as necessary for policy-makers and wage-bargainers as for business.

How far-sighted, then, of the Treasury to commission an investigation into recent forecasting performance. The National Institute for Economic and Social Research may not be the most independent of auditors or unbiased of critics. Nor is the main conclusion of its preliminary report particularly earth-shattering. Extrapolating the past into the immediate future is not much

help when the immediate future is radically different from the immediate past: this point has surely sunk in by now.

Yet the NIESR report does implicitly criticise the funding policy of the Economic and Social Research Council. The bulk of the government's £2m budget, on top of the funds spent on the Treasury's own model, funds two other models, at the NIESR and the London Business School. Both are similar in design to the Treasury model, and all three have made very similar errors since 1985. Yet more iconoclastic (and recently more successful) forecasting teams at Cambridge, Liverpool and City universities have all had their funding withdrawn over the past decade. The public interest would be better served by a policy that promoted choice and diversity rather than a cosy cartel of like-minded clones.

The fault, however, lies not with the models themselves, but with those who use them. Politicians, journalists and economists have treated econometric models with undue reverence. Forecasts of the economy do, in fact, deserve to be treated as sceptically as those of British weather.

## Dentists' fees

THE FEES earned by UK dentists for treating national health service (NHS) patients today fall by seven per cent. In retaliation, the dentists have voted for a partial withdrawal from NHS work. Unhappiness over the terms of the current contract under which most dentists work has already started an exodus from NHS dentistry in some areas. This now looks likely to spread.

The government says that the fee cuts are needed because dentists are earning more than the target net income set by their pay review body. Dentists have succeeded in signing up many more patients than anticipated when the cuts were made. However, the cuts sent out an unfortunate signal about the government's commitment to relating rewards to performance. And given the value of preventive dentistry in improving dental health, it is doubly unfortunate that the cuts are implemented on the same day as the white paper on improving the nation's health is to be published. Ministers' response to the gathering crisis has been to promise a

fundamental review of dentists' remuneration, a move which is long overdue. It would examine criticisms that the current contract undervalues preventive work. It should also look at regional differences in costs such as salaries, rents and other overheads, so that dentists' income for NHS work bears some relation to their expenses.

More radical options should also be explored. Some work currently available free or subsidised on the NHS is mainly cosmetic, with little value in health terms. And with most adults already paying 75 per cent of the cost of NHS treatment, charging them the full cost should be explored to release resources for improving incentives for dentists to sign up the 25m unregistered people and offer them regular checks.

The sooner Mrs Bottomley gets her review under way the better for those who rely on the NHS for dental treatment. Meanwhile, dentists should put their threat of partial withdrawal from NHS work on hold until that review is completed.

From their headquarters in the Swiss lakeside town of Vevey, managers of Nestlé, the world's largest food company, look out on a placid picture-postcard view disturbed only by the passing of an occasional paddle steamer. But inside the building, the atmosphere is tense with anticipation.

In the next month, the European Commission will decide whether Nestlé may complete its FF15.48bn (£1.58bn) takeover of Perrier, the French mineral water group acquired after a hard-fought battle with the Italian Agnelli family.

The decision is central to Nestlé's plans to become at a stroke the world's leading mineral water supplier - it is already the biggest producer of dairy products, chocolate and soluble coffee - and to its ambitions to raise profitability to new levels in the 1990s.

"We feel we must break out of this limitation which has seemed like a sound barrier in the food industry - the idea that a 5 per cent net margin on sales is really very good," says Mr Reto Domini, Nestlé's director and chief architect of the Perrier deal. He thinks 6 per cent is achievable.

Perrier, whose profits have been depressed since a bonanza scare two years ago, could fit the bill nicely. Industry analysts estimate that, by rationalising Perrier and beefing up its marketing, Nestlé could earn operating margins of 20 per cent on mineral water, twice the return on its existing businesses.

However, Brussels says the deal could give Nestlé and BSN, France's largest food company, a duopoly of the French mineral water market. This is the first time EC merger watchdogs have objected to a deal on duopoly grounds, and Nestlé - which is counting on takeovers to fuel much of its growth - fears the case will set a restrictive precedent. Says Mr Domini: "If they upheld the duopoly position, it would be a very major hurdle to many future acquisitions," particularly hostile ones.

Whatever the outcome of the case, Nestlé will remain determined to pursue worldwide expansion by any route it can. Mr Helmut Maucher, chairman, says he sees more growth opportunities in food than at any time in his career. By 2000 he aims to double last year's sales of SF50.5bn (£18.3bn), the sixth largest of any publicly quoted European company.

Since the German-born Mr Maucher became chief executive in 1981, he has transformed Nestlé from a sluggish and sprawling multinational into an aggressive global player by injecting a more decisive management style, impatience for results and a streak of shrewd opportunism.

Long a highly acquisitive company, Nestlé spent about SF20bn in the 1980s on takeovers, notably of Carnation in the US and Rowntree in Britain. In the past five years, it has invested on average SF2bn annually to restructure operations in the US and Europe and expand in Asia, Africa and the Middle East.

These moves are now paying off. In the US, Nestlé increased sales last year by 5 per cent in a stagnant grocery market, while its European operations, some of which lost money in the 1980s, all traded profitably. Rowntree has flourished, increasing profits and market share.

Though traditionally averse to alliances, the Swiss company recently formed two important joint ventures. One, with General Mills of the US, is challenging Kellogg's worldwide leadership in breakfast

Nestlé is awaiting Brussels' decision on its takeover of Perrier, which is crucial to its growth strategy, says Guy de Jonquières

## A thirst for expansion

Nestlé: seeking some fizz for profits



Helmut Maucher, chairman

Results (SwF m)	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Consolidated sales	27,024	27,849	31,141	42,225	38,909	34,183	39,502	46,039	46,390	50,486
Consolidated net profits	1,098	1,281	1,487	1,750	1,843	1,879	2,058	2,412	2,572	2,476
Net margin (%)	4.0	4.5	4.8	4.1	5.0	5.5	5.2	5.0	4.9	4.9

cereals, and the other, with Coca-Cola, is in canned coffee and tea.

In the past year, Nestlé has radically reshaped its management structure by grouping activities into strategic business units, which marry geographic and product responsibilities. The aims are faster decisions, more coherent strategy and improved co-ordination of the company's far-flung operations in more than 100 countries.

Next year, Mr Ramon Masip, Spanish head of Nestlé's European operations, will become chief operating officer, freeing the 64-year-old Mr Maucher to focus more on broad strategy. Mr Maucher, who enjoys personal authority rare in a company of Nestlé's size, is already scouting for fresh acquisitions, particularly in the US, where he believes the takeover market may be livelier than in Europe.

Nestlé's horizons are not limited to food and drink. In the 1970s, pessimism about food manufacturing led it to buy Alcon, a US pharmaceuticals company, and to acquire indirectly 27 per cent of L'Oréal of France, the world's biggest cosmetics manufacturer. An agreement gives Nestlé first refusal on the rest of L'Oréal after the death of Mrs Liliane Bettencourt, the French company's largest shareholder.

The agreement expires in 1994, and Nestlé's exercise of its pre-emptive rights would require French

government approval. But Mr Maucher already talks openly of eventually taking full control.

Although Nestlé claims it can find "synergies" with Alcon and L'Oréal, Mr Maucher admits these investments stem as much from financial as industrial logic. "Nestlé could live without L'Oréal. It was a fantastic investment... why not have a second big egg in a company basket?"

He also insists that Nestlé's dominant business will remain food manufacturing, and is focusing much attention on developing countries, where he expects future growth to outstrip the mature industrialised markets which provide four-fifths of Nestlé's sales.

Nestlé's role in the third world remains a touchy issue. It has operated there since late last century, and its manufacturing and distribution network is rivalled only by Unilever. But the Swiss company is still haunted by a controversy from the 1970s, when it was accused of promoting baby food sales by urging mothers to abandon breast-feeding.

Nonetheless, it believes economic reform and free-market policies have lessened developing countries' hostility to multinationals - and its drive to capture new markets there is moving into high gear.

In Latin America, it plans to spend SF2bn this decade after freezing new investment in the 1980s. It recently entered the ice-cream market in China, where it is also negotiating several other ventures, and is building a network of plants in south-east Asian countries which have agreed to cut tariffs on its products by 90 per cent.

At Mr Maucher's insistence, the company is developing a range of "popularly positioned products" (PPP) which it can produce cheaply in developing countries using local raw materials such as soy. The project will test the success of a recent shake-up of Nestlé's research operations. Although these are among the biggest in the food industry, the company has long been accused of being slow to innovate. Some critics argue that its last real world-beater was soluble coffee in 1938.

Executives respond that continuous updating and adaptation of existing products pays bigger dividends than searching for blockbuster breakthroughs. However, they also admit that house-cleaning was long overdue at its research laboratories, which had lost touch with the needs of the business.

But for all its confident expansionism, Nestlé's future growth will depend heavily on maintaining the success of established businesses such as Nescafé. Here, it faces three

main challenges: ● Coffee supplies: although Nestlé has benefited from the steep fall in world prices, it is increasingly concerned that production cuts will trigger a sharp price rebound. It is lobbying so far with little success, for a new international coffee agreement which would stabilise prices. ● The rise of retailer power: Nestlé fears its formidable marketing clout is being eroded as the European grocery trade concentrates into fewer big supermarket groups, which increasingly promote their "private-label" products in competition with those of branded manufacturers.

Mr Peter Brabeck, Nestlé's chief marketing strategist, says the product range it sells through large supermarkets is narrowing as they tighten the screw on manufacturer brands. The squeeze, he says, has been made worse by a decline in the effectiveness of mass-media advertising, traditionally the branded manufacturers' main means of communicating with consumers.

Mr Brabeck plans to experiment with new distribution channels and marketing methods, such as buyers' clubs and loyalty bonuses. But some colleagues think action by EC competition authorities may be the only long-term check on retailers' growing power.

● Uneven margins: Nestlé earns huge profits and cash from chocolate and soluble coffee. But margins are far less impressive on products such as pet food, yoghurt and ice cream, where Nestlé is either not dominant or competes in highly fragmented markets. Mr Maucher says it is hard to find new products which can match Nescafé's profitability.

Mr Domeniconi concedes that weaker operations may eventually have to be eliminated or strengthened through acquisition. But Mr Masip says the company can afford to carry them for some time, although he declines to say which are considered "strategic" long-term businesses. "I don't think we have a very clear idea ourselves, because this is a moving target."

With annual cash flow of more than SF30bn and a triple-A credit rating, Nestlé has ample resources for further takeovers. Indeed, it has sometimes been accused of trading its way out of mistakes by making high-priced acquisitions, such as the £2.6bn takeover of Rowntree in 1988, launched after the Swiss company had allowed its own share of the UK chocolate market to slide.

Nestlé has long relied on issuing equity to fund takeovers and investment, which has kept its balance sheet strong but limited earnings growth. Now it aims to limit cash calls in an effort to boost its price/earnings ratio, so it can use its shares to pay for takeovers without diluting earnings.

More than half of Nestlé's shares are owned by foreign investors, whom it has diligently courted since the late 1980s by liberalising its share register and disclosing more information. However, voting rights restrictions still protect its acquisition strategy.

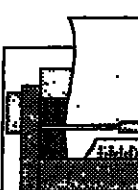
But investors, up to foreign investors, are Nestlé not worried about falling prey to the short-term preoccupations of Anglo-Saxon institutions? Mr Maucher sounds unperturbed.

"I think a lot of those investors will have a portfolio of solid growth security in Nestlé shares, and a portfolio of more speculative shares," he says. "They cannot keep everything in one basket."

## PERSONAL VIEW

# Preaching pragmatism to free trade church

By Ronald Dore



The free trade church is in need of a Reformation. Consider Britain's recent history. From the first impact of Honda's arrival to the death of the British motorbike industry was about a decade. By the time colour televisions and cars began to come from Japan the UK had learnt its lesson. It trumped up charges of dumping to justify punitive tariffs, and thereby pushed the Japanese into VERs - "voluntary" export restrictions. They responded - reluctantly and reluctantly - by manufacturing inside the UK market. The result: Britain now has flourishing colour television and car industries.

True, sad things have happened to British companies in those industries. But they would have happened anyway - faster and more brutally - under free trade. And at least a very large chunk of the value-adding activity which goes into making our cars and televisions takes place in the UK and generates labour incomes in the UK. As for the capital income, who gets the profits? British insurance companies and pension funds long ago shifted their investments out of British car manufacturers and into Toyota and Nissan.

British bureaucrats had stumbled on a sensible and pragmatic form of protectionism. But how will the economist high priests of the free trade orthodoxy describe it? As the unprincipled and self-defeating expediency of short-sighted

politicians. They will tell you precisely how much extra this protectionism makes us pay for our cars; how big the extra profits of Nissan and British Rover. What they will not tell you is how much of the "consumer surplus" yielded by cheap cars would have been mopped up in unemployment pay, or how many fewer pounds we would have had for spending on cars if the car industry had gone the way of the motorbike industry.

The high priests of free trade frequently pretend to despise such a self-centred single country calculation. Has world GNP been increased or diminished by British protectionism? The answer is it

has probably increased. Thanks to the chicanery of anti-dumping tariffs, less of the Japanese surplus has been channelled into buying US Treasury bonds and real estate, more into direct overseas investment, thereby doing more to add to world efficiency by diffusing their work practices around the world.

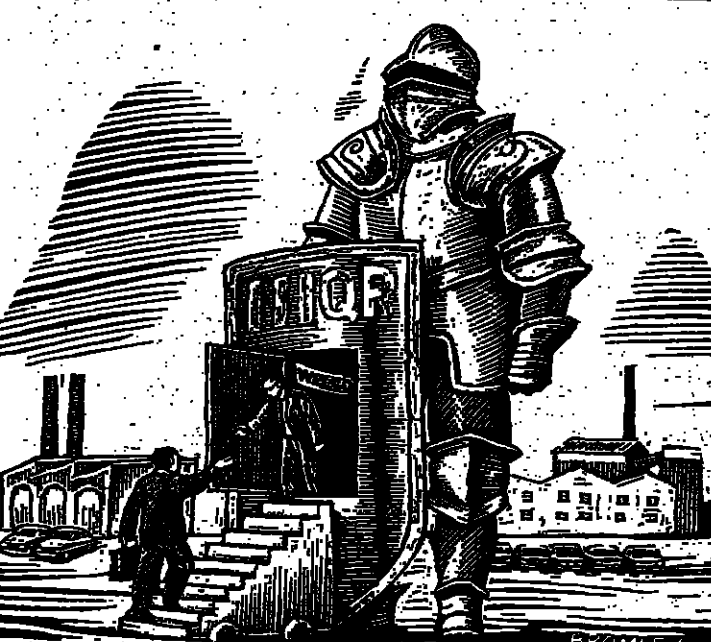
Suppose we did reform the General Agreement on Tariffs and Trade (GATT) to allow for such sensible pragmatism. What might it mean in practice? First, it would mean dropping all the provisions which allow protec-

tionist measures to be justified by charges of dumping or hidden subsidies. (But not those that allow developing countries to protect infant industries to gain learning time.) Anti-trust prosecution of predatory pricing can still continue without discrimination between imported and domestically produced goods.

Second, introduce a new concept: Investment Inviting Import Quantity Restrictions (IIQRs). These do not, like anti-dumping actions, say: "You are cheats and we are going to block your imports." They say: "You are clearly more efficient than us. But we don't want to lose the industry. We shall import only a certain number of your widgets per year for the next ten years. But by all means come and manufacture here. We shall give you all the facilities available to domestic start-ups, though we shall insist on enhanced phased-in local content rules."

The defined tightly in the GATT - in terms of an industry's share in GNP, its multiplier effects on the economy, the growth rate of import penetration, and so on - taking care, probably by some measure of labour-intensivity, that IIQRs cannot be used against developing countries' attempts to escape poverty by trading on their sole - cheap labour - advantage.

What are the implications of such a Lutheran shift, making free trade no longer absolute virtue, and discrimination no longer absolute vice?



tection is by calling a trading partner a cheat. It takes experts to expose the dishonest chicanery of anti-dumping suits. But every newspaper reader can see how unhealthy Japan-bashing is for US politics, let alone international relations.

● Japanese firms would come to Europe, not resentful at being bludgeoned by charges of unfairness, but flattered at the acknowledgement of their solid competitive strengths. They would be more ready to comply honestly with local content rules.

● Acceptance that discrimination against states with an inbuilt structural surplus is legitimate - as Keynes argued in the 1940s when it was the US which was the obvious target for discrimination. Such discrimination is a recognition that we live in a world community - just as the universal practice of progressive taxation which discriminates against the wealthy is a recognition that the nation is a community.

To be sure, there are problems with these proposals. IIQRs protect industries not the existing domestic firms in an industry. Unfortunately, it is existing companies

which finance pressure group lobbies and political parties, and often actually believe that the Japanese win by cheating and not by exercise of the solid Victorian virtues of thrift, diligence, long-term planning and managerial efficiency.

Reform needs politicians with the Lutheran toughness to resist the lobbies. Orthodox beliefs are powerful. Free trade orthodoxy rests partly on ideals, partly on theory. As for ideals, accelerating investment through IIQRs shows an even stronger spirit of internationalism. As for trade theory, the bankruptcy of the comparative advantage paradigm with its assumptions of competitive markets and "undistorted" prices is apparent even to some of its high priests. A world in which one country's export drive can destroy another country's industry in the space of half a decade is no longer the world in which Ricardo developed his theory of comparative advantage.

The author is a professor of political science at Massachusetts Institute of Technology and a member of the Centre for Economic Performance at the London School of Economics.



Edward Mortimer

## A chance to fix Europe



FOREIGN AFFAIRS

All right, I admit it. My advice three weeks ago to Irish voters was frivolous and utopian. I urged them to follow the Danish example and vote 'no', in the hope that this would force European governments to come up with a clearer and more rational proposal for European union than the one contained in the Maastricht treaty. Surprisingly but sensibly, knowing well on which side their bread is butter-mountained, the Irish endorsed the treaty.

Mind you, I really do find the treaty unreadable and, in parts, incomprehensible — though I am grateful to British Management Data Foundation\* for supplying a relatively comprehensible edition of it, giving a consolidated text of the Treaty of Rome as Maastricht proposes to amend it, and using bold type with a different lay-out to identify the new or amended articles.

I should still like to see a clearly drafted European constitution — call it federal, if you like — defining the powers of the union and expressly reserving everything else to the member states.

Mr Christopher Kane, a lawyer in Seattle, has kindly written to the Financial Times offering a model clause to that effect, namely the 10th Amendment to the US Constitution which says: "The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people."

That is certainly a lot clearer than the now famous Article 36 of Maastricht, which says that "in areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the member states and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community."

My union would have power to conduct a common external policy, to defend and police its external frontiers, and to ensure free circulation of goods, persons and capital throughout the territory. (Does that entail a single currency? I remain agnostic on that point.) For those purposes a central union executive would be needed, which should be accountable to an assembly elected by the people of the union as a whole. The assembly could also be the legislative body. The areas of union competence should only be extended with the consent of all member states.

Such is my idea of European Union. But I know that the

Britain must use its presidency of the EC to champion a more democratic union



Major and Hurd: must explain the nature of the union

chances of such a union being constructed on the ruins of the Maastricht Treaty are nil. Although many English people think of the EC as a tiresomely Cartesian phenomenon, full of abstract logic and inapplicable principles, in reality it is and always has been something much more burlesque in nature. It is misshapen because it is organic, forever adapting itself to circumstances through a process of illogical but creative compromise.

That is not likely to change to satisfy me or any other doctrinaire federalist. The point is eloquently explained by someone I used to regard as a much more doctrinaire federalist than myself: Mr Peter Ludlow, director of Brussels's own think-tank, the Centre for European Policy Studies. In a lecture\* delivered in Stockholm in May, Mr Ludlow mounted a resolute defence of the Maastricht treaty, based on a close reading of the text.

He starts from the observation that the EC is neither a purely inter-governmental organisation nor a classic federal system, but an original construct combining elements of the two. Therefore, in his view, the argument between

federalists and inter-governmentalists is ultimately sterile. In his eyes the Maastricht "three-pillar" structure, which sets both "foreign and security policy" and "justice and home affairs" outside the purview of the EC proper, is redeemed by the overall provision that "the union shall be served by a single institutional framework". It is also saved by the specific provisions which give the Council (of ministers) the main authority in these matters, as in the EC itself, while associating the Commission with the work to be carried out.

Mr Ludlow points out that the Council, whose role "at the heart of the Community's unique institutional structure" the treaty "reaffirms and reinforces", is more than a purely inter-governmental institution, even though made up of ministers of the member states. In recent years, he says, its decisions "have not only been much more than the lowest common denominator of agreement among those present, but have to an uncomfortable degree bound those who were least happy about them".

In saying that, he puts his finger on precisely the thing which makes so many people

unhappy about Maastricht: the treaty reinforces the authority of a body which, even though its individual members are accountable to national parliaments, is not collectively accountable to any representative assembly. Does Maastricht not thereby exacerbate the EC's notorious "democratic deficit"?

Mr Ludlow concedes that this argument "must be taken seriously". He points out that the European Parliament already has a significant role in EC legislation, and that this role is further enlarged by the new treaty. Politically, he says, the parliament has only itself to blame for its failure to act as an "effective watchdog".

This could be remedied if political parties did more to coordinate the work of the European Parliament with that of national parliaments. But he adds that the democratically elected governments of member states must "constitute an indispensable brake on an over-mighty centre", and claims that the treaty adds checks on the growth of irresponsible power — though these, on inspection, do not amount to much.

In an appendix written after the Danish referendum, Mr Ludlow blames the result partly on the Danish political establishment for failing "to explain to its voters at large what the European Community has always been about".

He also partly blames the Commission, which "perhaps involuntarily, conveyed the impression that Maastricht was only the beginning of something that was to be much worse as the future unfolded". Mr Ludlow urges the other 11 governments to "engage in a systematic effort to explain and justify the character and logic of the EC's unique political system, as it has developed over 40 years and as it is confirmed and consolidated in the Maastricht treaty".

Such a campaign is indeed necessary, and the UK government should take the lead — both because it occupies the presidency at this crucial moment, and because it involves explaining that the union is something much more British and less continental in its nature than it looks at first sight. That may not satisfy utopians, but it may be more acceptable to seasoned practitioners on the back-benches in the House of Commons.

Whether it can be made acceptable, after all, to Danish voters we shall see. If not, some further piece of untidy pragmatism can no doubt be devised to govern their future relationship with the union they have rejected.

\* *Highfield, Longridge, Sheepscote, Stroud GL6 7QU. Price £12.50*  
\*\* *The Treaty of Maastricht and the Future of Europe (CEPS Working Document No. 68)*

## OBSERVER

## Interference on the line

■ When it comes to corporate shenanigans, it is hard to beat the comings and goings at the top of Ireland's state-owned telephone system — Telecom Eireann. Yesterday, Professor John Scanlan became the third chairman in the utility's eight year roller-coaster history.

Given that his predecessors fell out with the government he would be wise to keep his hand in teaching electronics. The relationship between the Irish government and its telephone company has always been a prickly one. There is an apocryphal tale of how one junior minister of posts and telecommunications used to travel around the country with a car full of telephones. When a constituent complained that he had waited for months for a phone, the minister would solve that little problem by going round to the boot of his car.

Like British Telecom, Telecom Eireann's service is much better than it was and waiting lists have been dramatically reduced. But its relations with the government have not improved. Hence the revolving door at the top of the organisation. The government would dearly love to privatise the company but until it stops interfering it's going to have a job persuading foreign investors to take it off its hands.

## Gut feeling

■ Nicholas Soames, the new junior agriculture minister, is fast becoming the most engaging character on the front bench. Making his first appearance at the Treasury despatch box, he likened winking up a debate to the "parliamentary equivalent of

## the Grand National

As the subject was bovine spongiform encephalopathy (mad cow disease), Soames made certain he did not fall at the first fence by having a preliminary canter around the pronunciation in his office.

And how long does it take for the BSE agent to pass from the gut to the brain? The amply proportioned Soames assured his listeners that "in my case the transfer would take a long time".

## Sleep easy

■ New UK environmental regulations require industry to use BATNEEC to clean up its act. This stands for best available technology not entailing excessive cost. Industry has responded with CATNIP — cheapest available technology not involving prosecution.

## On reflection

■ Come back Wynne Godley, all is forgiven. Yesterday marked the start of the rehabilitation of the left-leaning Cambridge don best known for his gloomy views about the UK economy and the need for import controls.

A government-funded study into the biggest forecasting errors by government and private-sector economists in recent years says that "more attention should have been paid" to the warnings of Godley, who predicted a long and severe recession before virtually anyone else.

Given the exclusion of the 65-year-old Godley from the inner circles of policymaking during the 1980s — he lost his government funding in 1982 largely because of his non-Thatcherite views — the irony is delicious. It was not lost on Godley



Yesterday on sabbatical from Cambridge at the Jerome Levy Institute in New York, "Over the past few years, I have had a strong sense of not existing. It's been like walking past a mirror and seeing nothing," says Godley. One could almost hear the maverick making merry with his oboe at the welcome news.

## Title brewing

■ One cannot question the loyalty of George Younger, the former defence secretary. Who else would prefer to adopt the title of an obsolete Scottish airport rather than some pretty gien?

Lord Younger of Prestwick, as he will soon be known, has always been uncommonly faithful to the under-utilised airport in his former constituency of Ayr. In the 18 years he was an MP, he led the lobby which persuaded the government to keep Prestwick's monopoly on transatlantic flights to and from Scotland.

Because the airport was highly inconvenient for much

of the Scottish population, its traffic dwindled to the point when on some winter days there were no passenger flights at all; the development of air services from Scotland was retarded by a decade, often to the benefit of airports like Manchester.

However, Younger lost his battle in 1990 when the government finally allowed neighbouring Glasgow to break Prestwick's transatlantic monopoly.

As a result BAA sold Prestwick earlier this year to a consortium, backed by the local authority, with Younger a prime mover.

Prestwick is now developing its freight business and hoping for the day when Glasgow becomes too congested. However, if Prestwick really proves a white elephant, Younger won't necessarily be tagged for life. He should eventually succeed to his father's title Viscount Younger of Leckie, the name of the family home, a long way from Prestwick.

## Employment tip

■ Did you know that Bengt Dennis, governor of the Swedish Riksbank — the oldest central bank in the world — is one of the most lowly paid members of his fraternity?

He earns a mere 56,000 crowns a month (25,280) from his employment in Stockholm. But he manages to double his annual earnings as a result of plentiful emoluments from the Bank for International Settlements, of which he is currently president — a mandate which runs out at the end of next year.

## Point of order

■ "Daddy, what is the tallest building in London now that Canary Wharf has collapsed?"

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## In defence of a total nonsense?

From N T Harvey-Williams.

Sir, I have been bemused by some of the highly intelligent in the land of the wigs, the wearing of wigs as being somehow beneficial to the proper dispensation of justice in Britain. Vaclav Havel, when he was being persecuted in Czechoslovakia for challenging another rigid form of ideology, once said: "I love logically constructed arguments which defend total nonsense."

Those of us with lesser minds but perhaps a better understanding of the real world outside the cloistered attitudes of the legal profession, have to ask them: beneath your wigs, are you wearing any clothes? N T Harvey-Williams, 8 Wyndham Close, Oadby, Leicester LE3 4HR

## Disclosing who they are and what they earn

From Mr Ernest G Gobert.

Sir, Lex ("Leave it to the board", July 6) says that if shareholders do not trust the directors they should not buy their shares.

Very true. In the case of the latest flotations the names of the directors are not disclosed in their invitation to subscribe. One cannot trust someone whose name, let alone whose antecedents, one does not know.

Ernest G Gobert, 3 Beechwood Drive, Marlow, Bucks SL7 2DE

From Mr James Cane.

Sir, Your editorial, "Directors' pay" (July 6), is right in seeking greater disclosure of board remuneration information, including share option benefits.

I hope that the National Association of Pension Funds proposals for share option schemes ("Shareholder group calls for changes to stock option plans", July 6) support your recommendations for vol-

## Surveys of business opinion seen as lacking credibility

From Mr Roger Lyons.

Sir, So the Institute of Directors has joined those whistling to keep their courage up about the continuing recession ("Confidence firm, says IoD", July 6), but how much can we credit these surveys of business opinion? We all remember the March Confederation of British Industry survey which declared on the eve of the general election that recovery was round the corner.

Indeed, a story on the same page as the IoD story undermines its credibility. Here, you report the Ernst & Young item forecasting group envisaging "a 0.6 per cent decline in out-

put this year after a 2.4 per cent fall last year". A week ago Dun & Bradstreet reported that company failures in the first six months of this year rose to 30,722, 33 per cent up on the same period in 1991. Are any of the managers of these companies questioned about their "confidence"?

Many members of this union who have lost their jobs this year treat these management surveys with derision, and rightly so. They appear to be more concerned with giving aid and comfort to a failed government rather than reveal the truth about the economy. If one can give any credence

to the IoD survey, then the fact that "confidence" has continued to fall among manufacturing and distribution companies should ring the alarm bells. More jobs are going to be lost in this vital sector in the months to come — and that is going to make it even more difficult for Britain to emerge from recession through a manufacturing industry sector recovery.

Roger Lyons, general secretary, MSF, Park House, 64-66 Wandsworth Common, North Side, London SW18 2SH

## Real interest rates and the exchange rate connection

From Mr John Calverley.

Sir, Samuel Brittan's suggestion (Economic Viewpoint, July 2) that world real interest rates remain stuck at about 4 per cent judging by the yield on UK indexed bonds is incorrect because it ignores the effect of exchange rates.

The experience of floating exchange rates in the last 20 years supports the theory that world real interest rates are not in fact equalised by the markets, but can be higher (or lower) in one country if the exchange rate is perceived to be overvalued (or undervalued). In effect, international investors demand compensation for the exchange rate's expected movement. Thus we can only deduce the level of "world" real interest rates from the yield on UK indexed gilts by guessing at how much the markets believe the pound is overvalued.

The test of this theory will be if the US Treasury begins to offer index-linked stock as is reportedly under consideration. If the US dollar is currently around 10 per cent undervalued against the pound, then US index-linked stock should yield around 3 per cent, allowing the international investor to expect the same return on US Treasuries as on gilts over a 10-year

period given the likely exchange rate correction. (The indexation element will cover any exchange rate moves due to any future differential between US and UK inflation.)

This would imply that "world" real interest rates are somewhere between 1 per cent and 4 per cent. My guess is that the markets may believe the pound to be more than 10 per cent overvalued, which points to world real interest rates being around 3 per cent. This would support Samuel Brittan's view, and mine, that the world is not suffering any shortage of capital at present.

John Calverley, deputy chief economist, global economics unit, American Express Bank, 60 Buckingham Palace Road, London SW1W 0RU

From Mr G R Steele.

Sir, Re Samuel Brittan (July 2), it is not that worldwide public sector deficits provide "some cushion" to the recessionary impact of high savings. Rather, it is those deficits which absorb high savings to keep interest rates too high for an investment-led recovery to be possible.

G R Steele, lecturer in economics, The Management School, Lancaster University

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## Negotiations break down over cross-Pacific semiconductor agreement Sanyo files lawsuits against TI

By Steven Butler in Tokyo

SANYO ELECTRIC, the Japanese electronics company, has filed anti-trust and breach of contract suits in the US against Texas Instruments, the US semiconductor maker, in an increasingly bitter dispute which has followed the breakdown of year-long negotiations over a semiconductor cross licence agreement.

Sanyo also launched a vituperative attack against TI, accusing it of negotiating in bad faith and attempting to "coerce" Sanyo into "paying for a patent that we neither want nor need".

The dispute is the most bitter yet in a series of cross-Pacific patent disagreements involving hundreds of millions of dollars of royalty payments. TI and other US companies have been increasingly aggressive in seeking to enforce patent rights in the courts.

Mr Hiroshi Yoshie, Sanyo managing director, said: "We are

extremely disappointed with TI's behaviour in this matter, not only with regard to their attempt to use their asserted market leverage... to coerce our company... but in the total lack of integrity which they demonstrated in our negotiations."

TI had no immediate comment on the substance of Sanyo's allegations. However, Mr Norman Neureiter, vice president of TI Asia, said in Tokyo: "We question whether Sanyo's cause is really being well-served by such intemperate and one might even say, nasty, language."

TI filed a patent infringement suit against Sanyo on June 26, and sought a declaratory judgment from the court that the conduct of the company's negotiations with Sanyo did not constitute a misuse of patents or an anti-trust violation.

Sanyo, for its part, said in a complaint filed in the US district court in California that it wished to sign an agreement excluding

TI's Kilby patent - named after the inventor of the semiconductor. Mr Jack Kilby - which covered basic semiconductor technology in Japan. However, according to Sanyo, TI would agree to this only by charging an "exorbitant multi-million dollar penalty payment for the 'privilege' of excluding the Kilby... patent". Sanyo says this constitutes an abuse of monopoly power which violates US anti-trust law. It is seeking treble damages under US law and injunctive relief.

TI believes the broadly-worded Kilby patent applies to all semiconductor devices produced in Japan. Sanyo, however, says the Kilby patent "covers an outdated technology that is not valuable to Sanyo because it is not a practical, competitively viable design for products that will compete in today's semiconductor market".

Sanyo warned TI in April that it would take legal action but on June 24 said it would hold back

pending a further meeting with the US company.

According to Sanyo, TI agreed to meet on July 16, but then filed suit against Sanyo in a Texas court on June 26. "TI deliberately deceived Sanyo in order to lure Sanyo into not seeking judicial relief from TI's anti-trust violations and related conduct, in an effort to obtain some tactical litigation or negotiation advantage," Sanyo said.

Sanyo says this violated contractual provisions in the former cross-licence agreement requiring TI to negotiate in good faith.

TI and Fujitsu, the Japanese computer company, are currently seeking a determination by the Japanese court as to whether TI's Kilby patent applies to products made by Fujitsu. The two companies nonetheless reached agreement on other patent licences.

TI has reached semiconductor cross-licence agreements, covering the Kilby patent, with 14 other Japanese companies.

## Withholding tax agreement advances German reforms

By Christopher Parkes in Bonn

GERMANY'S taxation reform programme has advanced further with agreement on a scheme for a 30 per cent withholding tax on investment income, to take effect at the start of next year.

Interbank dealings and investors classed as non-residents for tax purposes will be exempt from the new charges.

The new levy, 5 percentage points higher than that originally proposed by the government last November, will be deducted at source from all investment earnings of more than DM6,000 (\$3,950) a year for individuals and DM12,000 for couples. Earnings in excess of the tax-free allowances from bonds and securities traded over the counter will be taxed at 35 per cent.

The new scheme is the successor to an ill-fated 10 per cent flat rate levy, imposed in 1987 and promptly withdrawn when an estimated DM80bn poured out of the country.

The deal was worked out on Monday night by a parliamentary arbitration committee which was asked to mediate when the original proposal was rejected by the opposition-dominated Bundestag, the upper house of parliament.

The BVR co-operative savings banks association welcomed the deal, claiming that the allowances would mean that 80 per cent of savers would pay no tax on their interest income.

The current system, which is dependent on voluntary declaration, had to be changed when it was declared unconstitutional by the courts last June.

At present all investment income above DM600 for individuals and DM1,200 for couples is notional subject to a 25 per cent charge. However, avoidance is widespread. The agreement represents the results of a year's efforts to meet the requirements of the constitutional court, minimise the impact on small savers, and at the same time prevent capital flight.

The compromise also marks another step in Bonn's efforts to shuffle the components of the tax system to allow it to divert more funds from the west into the collapsed east German economy.

The breakthrough came in February when the government managed to find through an increase in value added tax from 14 to 15 per cent, effective next January 1, together with higher thresholds for company property tax and trade profits tax.

The VAT deal was expected to yield an extra DM33bn for the east over the next three years. Monday night's compromise will produce an estimated DM12bn a year, a sum which has also been committed to the five new federal states for 1993 and 1994.

Mr Theo Waigel, finance minister, said banking secrecy rules would remain intact because the Social Democrat opposition had given up its earlier demands that investment holdings should be subject to spot checks to prevent cheating.

## KIO's main Spanish unit 'in danger of default'

By Tom Burns and Peter Bruce in Madrid and Tracy Corrigan in London

THE KUWAITI Investment Office's main Spanish holding company, Torres, is in danger of defaulting on a £100m (\$192m) convertible bond, should Torres' large chemicals affiliate, Ercros, press ahead with its decision last week to file for protection from its creditors.

The £100m Eurobond, issued in 1988 by Phoenix International, is guaranteed by Torres, which owns 40 per cent of Ercros.

According to the offer document that accompanied the bond issue in 1988, Ercros is a "principal associate" and the offer stipulates that any such company which is unable to pay its debts or suffers the appointment of a liquidator or receiver, could trigger a default on the bond.

"If Ercros files for protection, it could well trigger an event of default," said Mr David Norris, a director of the Law Debenture Trust Corporation, the trustee of the bonds.

The trustee, however, would then have to evaluate whether the event of default was prejudicial to bondholders, according to Mr Norris, before asking for the bonds to be repaid.

It could be decided that, if Ercros files for protection, Torres itself will be in a stronger financial position as a result, which would in turn benefit the holders whose bonds are guaranteed by Torres.

Some bondholders have already contacted the trustee in order to discover the status of the bonds. The trustee is in communication with Torres, in an effort to clarify the situation.

An investment banker who was close to the Phoenix bond issue said a default on the security could have a "significant effect" on Kuwait's status as a borrower.

Last year, KIO launched a \$5.5bn jumbo bank loan to help rebuild Kuwait after the Gulf War.

By late last night, Ercros, which owes \$2.15bn to banks and suppliers, had still not made its announced filing. Company sources said this was because paperwork had not been prepared but the Phoenix bond clause may also have complicated the procedure. Lawyers for Torres in Barcelona refused to comment on the Phoenix bond.

Other sources close to Torres suggested that the suspension would go ahead as planned in the near future.

"KIO have put themselves into a corner and they are compounding their problem," a former senior executive of Torres said. "Torres' new management had been made aware of the small print in the Phoenix offering but they did not want to listen."

Torres' 1990 accounts show that the group made a provision of \$30m to cover guarantees made on the bond.

Ercros, which employs 10,500 people in chemicals, mining, fertiliser and explosives, owes banks and suppliers more than \$1bn, half of which matures this year.

## Pentland agrees to buy Adidas



The shoe fits: Stephen Rubin, Pentland's executive chairman

Continued from Page 1

was mooted last week, it is a very good price."

The deal is also a watershed for Mr Tapie, who was recently forced to resign after only seven weeks in the French cabinet because of his involvement in a fraud case. Mr Tapie has been struggling to repay the debts he took on to buy Adidas in a FF1.6bn deal two years ago.

Pentland has agreed to pay DM621m in cash for BTF's 58 per cent stake in BTF GmbH and also to buy out the other minority investors, including Crédit Lyonnais, the French bank.

The vendors may also elect to take equity in place of cash, which, if fully subscribed, would result in a cash payment of DM553.8m, and the issue of 22m shares, about 6 per cent of Pentland's existing equity.

Mr Farrant said the purchase would have a largely neutral effect on Pentland's earnings, although it would leave the company about 60 per cent geared. He said the deal was conditional on bankers to Adidas agreeing to provide facilities in excess of its DM600m debt. Adidas recently reported a fall in net profits from DM90m to DM44m for 1991 on sales of DM3.3bn. Pentland's shares rose by 14p to 144p in London after yesterday's announcement.

## French truckers accept outline accord

Continued from Page 1

long distances they have to drive. One-man subcontractors, who make up nearly 40 per cent of French haulage companies, have suffered from a sharp fall in rates since prices were frozen in 1986, which has put pressure on them to drive longer and faster.

Unostra, the subcontractors' organisation, said Mr Pierre Bérégovoy, the prime minister, had promised to reintroduce fixed minimum rates for subcontractors: The group said it would call its men back to work once the government had confirmed "the installation, as soon as possible, of subcontracting rates that enable carriers to cover costs."

The FNTR said this was "only the opening of negotiations."

The other main aspects of the

eight-point deal are: to review working hours, with a view to paying more for total hours worked rather than just time spent at the wheel; to consider adjusting the application of the points system to truckers; to oblige employers to find other jobs for banned drivers; to pay for driving lessons for banned truckers; and to ban bonuses likely to reward unsafe driving.

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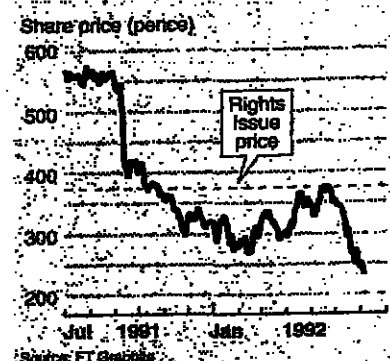
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### British Aerospace



Yesterday's events in the UK new issue market suggest two things: that retail interest in flotations is officially dead and that nobody minds very much. On the one hand, the retail half of Anglian Group's offering was only 6 per cent taken up by the public. On the other, Taunton Cider was placed and underwritten close to the price originally planned, suggesting that the institutions accept there is no longer any point in cutting the price to lure the public in.

It may be that the public is being perfectly rational here. The old-style flotation, which fixed the price and then knocked 10 per cent off to get it away, was grossly biased against the vendor. The new book-building method aims at a true market price. But if the stages have grasped that, there seems no point in offering half the issue to the public at all. The result is to leave the public's half with the underwriters, so that the issue is labelled a flop and suffers accordingly in the after-market. In fact, the institutions may simply be underwriting stock as a means of getting a discount on stock they want to hold anyway.

For public offerings to go out of fashion would have its ironic aspect. The book-building process was introduced to the UK by the government as a means of controlling the bribe offered to the public in privatisations. In teaching the market how to price issues correctly, the government may have dealt a blow to its own cause of wider share ownership.

### British Aerospace

At yesterday's intra-day low of 208p, British Aerospace was down 45 per cent in just six weeks. That seems overdue. Even after second thoughts pushed the shares back up to 231p yesterday afternoon, the price scarcely reflects the fundamentals.

Bae has long been vulnerable to negative speculation: witness last year's exaggerated alarm about its cash position. Now it is under attack on three fronts: worries about the European Fighter Aircraft; concern about its loss-making regional jet business; and dividend uncertainty. EFA has the highest profile but is arguably the least of these concerns. Even if the project were scrapped BAE's profits would be unaffected until 1998 or 1997.

By contrast, the regional jet business is a running sore receiving urgent attention from Mr John Cahill, BAE's new chairman. Closure would be an expensive option with costs run-

ning to well over £500m, including provision for uncovered lease commitments valued in the accounts at £348m. That would push the company into a hefty loss this year. The chances of a full disposal are remote, but Mr Cahill may yet clinch a joint venture. That would be less painful than closure, but the immediate cash impact of a shut-down would be less serious than it looks, since the leases could be unwound over a long period. A separate sale of the corporate jet business could yield over £200m.

The prospect of a further loss in 1992 raises questions about the dividend, but it is premature to regard the pay-out as doomed. Unlike BP's, BAE's dividend costs a mere £105m. Halving it would shave only 3 percentage points off gearing. And unlike British Steel, it can claim scope for vigorous earnings recovery once the regional jet problem is out of the way.

### National Grid

Shares in the UK regional electricity companies bounced back yesterday in relief at the regulator's new price formula for National Grid. But while RPI minus 3 is indeed more benign than the regime darkly rumoured in the market last week, Offer's Professor Stephen Littlechild is hardly a soft touch. Even with minus 3, the grid will only be able to achieve real earnings growth provided it finds additional savings of 2 per cent on top of those already identified. No doubt there is a bit more up its sleeve, but it is worth remembering that half operating costs are outside its control.

The other issue is what the professor has in mind for the Recs come

1995. National Grid's new formula implies a target rate of return of around 5.8 per cent on fixed assets, which compares starkly with the Recs' current range of 8.5-9.0 per cent. The clear message is to enjoy the real dividend increases while they last.

### Sterling

Sterling has yet to breach its narrow band limit against the D-Mark, but it was already below it against the Belgian Franc yesterday afternoon. It is difficult to see how the authorities can respond if the market persists. Intervention would do little in the face of disbelief that the chancellor would follow Italy's example and raise interest rates. He may thus have no choice but let sterling find its own level much closer to its wide band floor. That was what happened before the election, but the government was less reliant then on overseas funding of the PSBR. For now, the gilt market may be underpinned by the fact the hedging cost in D-Marks is virtually zero. How long that will last is another matter.

31

Yesterday's annual report and accounts from 31 reads like the pathfinder prospectus that never was. The flotation may wisely have been postponed until next year, but by breaking down the main investments and disclosing its valuation policy for the first time 31 is clearly signalling that the roadshow has begun.

There is room to ponder the transformation from the mission-driven business of the last 40 years to the more fully commercial organisation which 31 will inevitably become. In particular, will the company's proven long-termism be compatible with the demands of ordinary shareholders? Moreover, 31 should not be allowed to get away with claiming the accounting moral high ground just because competitors are less open. The allocation of half the investment division's operating costs to an investment realisation reserve, for instance, is primarily designed to secure a better yield. As for the valuation issue, an admittedly very conservative policy is simply coming into line with less conservative market thinking.

That said, the results underline the enormous strength of 31's portfolio and its dominant market position. When they do arrive, the shares will be well worth buying on a discount to net assets at anything over 20 per cent.

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Bangkok	S	34	Cape Town	F	10	Gloucester	F	22
Barcelona	S	24	Caracas	S	30	Hamburg	C	14
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						Rome	C	23
						Salt Lake City	C	18
						Sao Paulo	C	23
						Seoul	C	23
						Shanghai	C	23
						Shenzhen	C	23
						Singapore	C	23
						Stockholm	C	18
						Taipei	C	23
						Tel Aviv	C	23
						Tokyo	C	23
						Yokohama	C	23







## INTERNATIONAL COMPANIES AND FINANCE

## 3i achieves 3.2% rise in net asset value per share

By Richard Gourlay

INVESTORS in Industry (3i), the UK's largest venture capital group, yesterday reported a small increase in net asset values in spite of the impact of the recession.

Mr Ewan Macpherson, chief executive, said the performance of 3i, which invests in about 4,000 small British companies, was linked with the economy, which was "experiencing only patchy signs of economic recovery".

However, net asset value per share - the most useful measure of the performance of investment trusts - increased 3.2 per cent to £5.38 (£10.27) in the year to March. Over the same period, the FT All Share Index fell 1.8 per cent.

There was an improvement in economic confidence between the first and the second half as measured by the size of investments. In the first six months the group invested £141m, while in the second it invested £253m.

Mr Macpherson said the trend had not been maintained this year. Last year's average monthly investment had been about £40m to £50m, while during the first three months of

this financial year investment had fallen to £35m to £40m.

As a result of the recession, the pre-tax revenue surplus fell from £55.99m to £40.08m on total revenue down from £263.12m to £231.88m. The dividend is increased from 10.43p to 10.9p.

Further steps were also taken by 3i to improve the understanding of the group among investing institutions before its flotation. Last month 3i, and its chief shareholders, the main UK clearing banks, postponed the group's flotation because of the slowness of the economic recovery and the condition of the London stock market.

"People know what 3i does," said Mr Macpherson. "What is not known is the quality of 3i as an investment."

As part of this campaign, 3i has disclosed a changed valuation policy for the investments in its portfolios after a review showed it was consistently realising more on the disposals than the book values of its investments. Two changes in accounting policy led to an increase in net asset values of £2m. Total net assets rose to £1.27bn (£1.22bn).

New accounts, Page 24

## Millicom plans \$70m private placing

By Michio Nakamoto

MILlicom International Cellular (MIC), a cellular phone operator based in Luxembourg, is launching a private placement in the UK and US prior to listing on the Luxembourg stock exchange.

The company aims to raise \$70m through the placement which is expected to increase shareholders' equity to \$165m from about \$50m.

The funds will go mainly towards strengthening its capital base. It is eyeing a number of important licences which are expected to be granted over the next few years.

MIC is a joint venture formed in 1990 between Kinnevik, a Swedish industrial holding company with interests in telecommunications, broadcasting and timber, and Millicom of the US, a New York-based telecommunications group which was a minority shareholder in Vodafone before being bought out by Rascal Kinnevik owns 48 per cent and Millicom has a 50 per cent holding while the management control the rest.

The placing, at between \$9 and \$11 per share, will be for 14 per cent of the company's shares, or about 7m shares, reducing the holdings of Kinnevik to just under 43 per cent and of Millicom to approximately 41 per cent, with the remainder to be retained by the management.

## Bols doubles stake in Williams &amp; Humbert

By Ronald van de Krol

LUCAS Bols, the Dutch liquor and wine group, said yesterday that it has doubled its stake in Williams & Humbert, the producer of Dry Sack sherry, to 90 per cent.

It purchased an additional 45 per cent stake in the company for an undisclosed sum from Antonio Barbadillo SA of Spain, from which the Dutch company acquired its initial shareholding in 1991.

## Cementos Mexicanos details bid for Spanish cement maker

By Peter Bruce in Madrid, Damian Fraser in Mexico City and Karen Fossell in Oslo

CEMENTOS Mexicanos yesterday released details of its agreed bid for Valenciana de Cementos, Spain's largest cement producer. The company is paying \$1.25bn for a 75.1 per cent stake after acquiring a 24.1 of Valenciana's treasury stock for \$420m on Monday.

Valenciana, controlled by the Serratos family, was paid Pta14,850 a share for its treasury stock and Cemex is to make its bid for the rest of the company at Pta15,075 a share.

The Spanish company, which has about 15 per cent of the Spanish market, reported a turnover of Pta63.7bn

(\$665m) last year, to make net consolidated profits of Pta10.2bn.

Aker, the diversified Norwegian industrial group, will receive Nkr1.3bn (\$218m) in cash through the takeover, netting it a Nkr300m profit. This arises through the disposal of the 13 per cent stake acquired during a series of deals aimed at strengthening its international presence in the cement business. It began accumulating the holding in 1984.

Euroc, a Swedish cement producer, which also has a 13 per cent stake will suffer a SKr140m (\$25.6m) loss, having acquired its stake in 1990 at a price considerably above that paid by Aker. It will also incur holding costs for the financing of the purchase also made as

part of an international expansion plan.

The two companies in 1990 transferred their shareholding to Scancem, a joint venture. Last April, the companies bought back their shareholdings, yielding Aker a total profit on the Spanish investment of Nkr680m.

The deal will put Cemex, the world's fourth-largest cement producer, in direct competition in Europe with its main North American rival, Holderbank of Switzerland, which controls Spain's fourth-largest producer, Hisalpa.

It will more than double the Mexican group's debt, to around \$2.8bn, giving it a debt equity ratio of around 100 per cent. US analysts were concerned about

the effects the bid might have on Cemex. Unlike Mexico's growing cement market, consumption in Spain is slowing rapidly as the economy cools and construction activity slows.

Cemex, for its part, has felt particularly vulnerable in the face of expansion planned by Apasco, its main competitor in Mexico.

Apasco, controlled by Holderbank, has just 17 per cent of the Mexican market but has launched a four-year \$260m programme to increase production from 5.4m tonnes last year to 7.15m tonnes in 1994.

In the face of this threat, Cemex decided in 1988 to concentrate on its core cement business and to sell off peripheral concerns.

## Cemex prepares to mix it with the best in Europe

By Andrew Taylor and Peter Bruce

Acquisitions and strategic stake-building are increasing. A new development has been the recent arrival of Italian companies on the takeover trail.

At the end of April, Italcementi, Italy's biggest cement company, paid FF78bn (\$1.07bn) for a controlling interest in Ciments Français, France's second-largest cement producer.

A month earlier, Calcestruzzi, the Italian maker of ready-mixed concrete which is a subsidiary of the Ferruzzi group, in a joint venture with the National Bank of Greece took control of Heracles, one of the two biggest cement makers in Greece.

It is unclear whether the recent purchases by Italcementi and Calcestruzzi will prompt further cross-border moves by Italian cement and concrete companies. Conversely, it could draw the attention of other manufacturers to Italy, which remains a highly fragmented market and boasts the world's second highest per capita consumption of cement behind South Korea.

The driving force behind many cross-border acquisitions has been the desire of manufacturers to reduce their vulnerability to sharp falls in domestic construction output. Holderbank of Switzerland, Lafarge Coppee of France and Blue Circle of

the UK, for example, bought heavily in North America in the 1980s.

European purchases, in some cases, may have been also dictated by a desire to gain control of previously state subsidised companies in eastern and southern Europe which could undercut local prices by exporting surplus capacity.

Mr Laurence Amboldt, construction analyst with Carr Kitchat & Aitken, part of the Suez group, says: "As the major groups look to spread their activities over a number of European regions in order to reduce the impact of local construction cycles, works with direct access to waterborne transport will be seen as particularly valuable as these provide economic transport of

cement to various parts of Europe."

The result of all this activity has been to reduce the number of independent cement companies and to concentrate power in the hands of about eight large European cement groups.

Italcementi, including its controlling interest in Ciments Français, has overtaken Holderbank as the biggest seller of cement in Europe. Holderbank, however, is larger in the US and remains the world's biggest cement group.

Cement prices, however, have remained surprisingly stable despite the recession in the construction industry, affecting many parts of Europe.

This has led to accusations that relationships between the large cement manufactur-

ers has become too cosy. Critics of the industry contrast the stability of cement prices with the very sharp price falls which have occurred for other basic building materials.

Companies, meanwhile, have complained to the Commission that Turkish, Romanian and Tunisian companies have been dumping cut-price cement in Spain, damaging the local market. Cement prices along the Mediterranean coast of Spain fell by 15 to 20 per cent between June and December last year.

Moves by Ciments Français to establish strategic alliances with cement manufacturers in Romania - possibly as a prelude to an acquisition - is regarded by some analysts as a defensive measure to prevent cheap Romanian cement from flowing into other European markets.

Spain, Europe's fastest growing construction market during the 1980s, has been a very attractive market for European cement manufacturers both for its size and the availability of local companies which traditionally have been family controlled. Most of the leaders have Spanish subsidiaries.

Ciments Français last month offered \$44m to acquire the outstanding 22 per cent it does not own of Cementos Raza, the biggest cement producer in the Basque region of Spain.

Unifon, a relatively obscure Swiss-based holding company with cement interests in Asia and South America, has just taken out an option worth more than \$700m to buy Sison, Spain second-largest producer, from the Banesto banking group.

## ESTIMATED EUROPEAN CEMENT SALES IN 1992 (excluding associate companies)

Company	Tonnes (m)	Works controlled in
Italcementi/Ciment F.	27.0	Italy, France, Spain, Belgium, Czechoslovakia, Greece
Holderbank	15.7	Switzerland, Germany, Belgium, France, Spain, Hungary, Czechoslovakia
Lafarge Coppee	13.5	France, Germany, Spain, Czechoslovakia
Blue Circle	8.3	Britain, Denmark
CBR	8.2	Belgium, Netherlands, Czechoslovakia
Dyckerhoff	7.3	Germany, Spain
Heidelberg	7.1	Germany, Czechoslovakia
Euroc/Aker	6.3	Sweden, Norway, Britain

Source: Carr Kitchat & Aitken

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Financial Highlights	(DM million)	1991	1990
Total Assets		7,609	7,568
Balances with Banks		4,543	4,804
Advances to Customers		2,278	1,887
Securities		605	732
Liabilities to Banks		3,884	2,708
Other Liabilities		2,437	3,589
Capital and Reserves		189	184

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All of these securities having been sold, this announcement appears as a matter of record only.



## Global Combined Offering of 22,900,000 B Shares

## 8,000,000 B Shares

Offer Price: FF230 per B Share

This portion of the Offering was offered in France by the undersigned

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Caisse Nationale de Crédit Agricole  
Société Générale  
Caisse des Dépôts et Consignations  
Banque Indosuez  
Lazard Frères et Cie  
Caisse Centrale des Banques Populaires  
Crédit Commercial de France  
Crédit du Nord  
J.P. Morgan et Cie S.A.  
Banque Worms  
Cie Financière du CIC et de l'Union Européenne  
La Cie Financière Edmond de Rothschild-Banque  
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Banque du Phénix  
Banque Agnès  
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## 14,800,000 American Depositary Shares Representing 7,400,000 B Shares

Offer Price: \$22.23 per American Depositary Share

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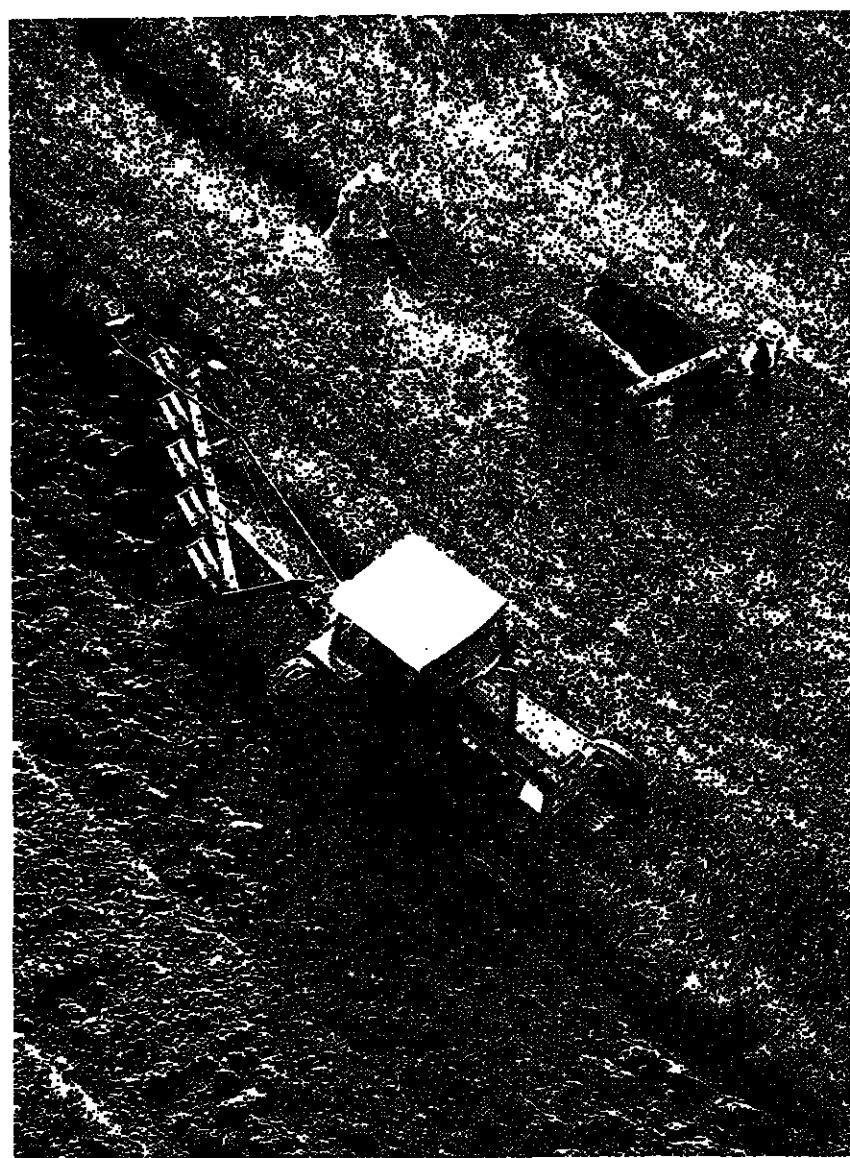
Banque Paribas  
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La Compagnie Financière Edmond de Rothschild-Banque acted as adviser to TOTAL.



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## INTERNATIONAL COMPANIES AND FINANCE

## Mobil to book \$80m gain from sale to BASF

By Karen Zagor in New York

MOBIL, the US oil and gas group, yesterday said it would record an \$80m third-quarter gain on the sale of its polystyrene resin business to BASF of Germany.

In the 1991 third quarter the group earned \$365m, or 87 cents a share, on revenues of \$15bn.

Mobil also said it had further cut its capital appropriations budget for the year, to \$3bn from \$4.8bn, in response to sluggish economic growth and depressed margins in its downstream operations and chemicals business.

At the end of last year, Mobil said its 1992 appropriate budget would be \$1.5bn, about \$1bn below previous projections. Mr Allen Murray, Mobil's chairman and chief executive, said: "At that time, I indicated that the 1992 budget included \$800m which would not be appropriated this year unless business conditions improved."

The company expects the impact from lower appropriations to be seen beyond 1992, since there is a lag between a cut in capital appropriations and lower capital expenditures. As a result, 1992 spending will be only slightly below



Great expectations: Allen Murray, Mobil chairman

the \$5bn spent in 1991. Mr Murray said that Mobil's savings from a recently announced restructuring would be "greater than previously anticipated".

Salaried payroll in the US is expected to fall by about 10 per cent, or 2,000 people, by the end of 1992.

In addition, it expects to sell more than \$600m of assets this year, exceeding 1991 asset sales. Between 1986 and 1990, Mobil sold nearly \$7bn of assets, Mr Murray said.

On Wall Street, Mobil's share price edged \$1.10 higher to \$62.25 at midday.

## McDonnell Douglas to sell cheque acceptance service

By Martin Dickson in New York

McDONNELL DOUGLAS, the financially-stretched US aerospace group, is selling Telecheck Services - which provides cheque acceptance and guarantee services to retailers - to Atlanta-based First Financial Management.

McDonnell Douglas said the deal was part of its strategy of focusing on its aerospace business. Telecheck, which it acquired in 1984, is based in Denver, Colorado, and employs about 700 people.

The aerospace group did not put a price on the deal, but First Financial Management said it would be paying \$150m both to buy Telecheck and Payment Services, its principal franchisee, which is not owned by McDonnell Douglas.

McDonnell Douglas has been slimming down its sizeable financial services operations, to focus on aircraft financing and commercial equipment leasing.

Last year it even considered selling off the entire financial services arm as a means of raising cash.

## Man with a mission moves from Saab to Opel

Robert Taylor profiles David Herman, new chairman of General Motors' German subsidiary

MR DAVID Herman arrives at the head office of Adam Opel, the German subsidiary of General Motors, this morning with a mission to halt the profits slide by boosting productivity and cutting costs.

He takes over after two-and-a-half years as president and chief executive of Saab Automobile, GM's joint venture with Saab-Scania, where he spearheaded a turnaround in its performance despite the slump in the world car market.

"The underlying problem in Germany is inflation and high costs, but changes are coming at Opel," he promises. "I hope I can be part of the transition to improved competitiveness."

Mr Herman comes to his new post as Opel's chairman and managing director with clear lessons from his Swedish experience: to encourage greater

flexibility and hold down excessive wage costs.

During his spell at Saab he did not take the company back into profit but he pulled it through a difficult period. In the year before the company was formed out of Saab-Scania's car division in January 1990, it had made a SKr2.1bn (\$384m) operating loss.

Mr Herman says he does not know when Saab will be in the black, but its losses are likely to be much less this year than last year's SKr1.39bn deficit.

Productivity has more than doubled. In early 1990, it took around 120 hours to build a Saab car. Now that figure is down to 58 hours. Although still far behind the Japanese 30 hours per car, it is in the mainstream of European auto production. It was achieved with plant closures and a cut of nearly one-third in the work-

force. Latest sales figures suggest Saab is bucking the trend.

In Europe, it increased sales in the first six months of the year by 18 per cent to 2,500 units, with a 66 per cent surge in Italy. In the vital US market in June, Saab recorded its highest monthly figure since

adaptability" of his Swedish workforce. "When I arrived the arrows were not pointing in the right direction but now they are," he explains. Absenteeism is down from 10 to less than 5 per cent and labour turnover has declined from 25 to less than 8 per cent.

union leaders are disappointed at his departure, even though he was forced to close a new SKr1.3bn assembly plant in Malmo.

The turnaround at Saab comes from its Swedish managers and workers. Only around 10 of its personnel were drafted in from outside by GM.

The long, hard road back to profitability at Saab was made no easier by events outside the company's control. In particular, the low exchange rate of the US dollar against the overvalued Swedish krona has made it hard to recover in the US market.

The chairman is critical of past Saab management. "They were less willing to accept the burdens of responsibility for productivity problems," Mr Herman suggests. "What he believes he provided was a strong sense of leader-

ship. Mr Herman did not bring the ways of Detroit to Sweden. He remained keen to work with the grain of the country's industrial culture. However, he also believes Saab is much more aware of the worldwide perspective.

He also believes the true test of his time at Saab will not come until the company's new models are in the showrooms in the next few years. "The product comes first before anything else," he argues.

Saab is set to sell up to 100,000 cars this year compared with 67,500 in 1991, and he can see the day when the Trollhattan plant will turn out an annual figure of 150,000. With a new paint shop on stream and an extra 500 jobs to come, he declares that GM is not going to abandon Saab. "There is no turning back," he says.

## 'The underlying problem in Germany is inflation and high costs, but changes are coming at Opel'

August 1997, despite the recession. In Sweden, the Saab 9000 has topped the sales statistics for three out of the past four months.

"I have been the catalyst for change," declares Mr Herman, but he is warm in his enthusiasm for the "tremendous

Mr Herman praises the Swedish trade unions for their positive response. "It has been a partnership," he asserts. "Our labour people have not just been rubber stamps. The workforce has been involved in all the discussions. There is a real team spirit here." Indeed,

## Lehndorff Canada meets creditors

By Bernard Simon in Toronto

LEHNDORFF Canada, a private group of real estate partnerships funded largely by European investors, met with about 30 creditors in Toronto yesterday to ask for concessions on its C\$565m (US\$470m) debt.

Lehndorff said it was seeking an "informal restructuring of its debt, assets and operations" in view of the slump in the Canadian commercial property market. "Given the persistence of current trends, it can no longer be business as usual," Mr Murray Brown, president, said.

The company said the debt was secured by properties with residual equity of close to C\$1bn.

The restructuring plan is due to be finalised by September 30. It includes proposals for an injection of equity by the 5,000 investors in its limited partnerships, most of whom are German.

Lehndorff manages a portfolio of about 230 properties, mostly in southern Ontario and Alberta. Its main lenders include Bank of Montreal, Royal Bank of Canada and several foreign-owned banks. It is the latest in a string of

Canadian property developers to acknowledge financial difficulties caused by a combination of heavy debt loads, rising vacancy rates and downward pressure on rents and purchase prices.

Bramalea, a developer controlled by the Toronto branch of the Bronfman family, failed to make an interest payment due last week on a C\$100m bond issue.

The company is renegotiating its C\$4.8bn debt. Its share price stood at 90 cents yesterday morning, down from more than C\$5 at the beginning of this year.

## Saks Fifth denies report of large losses

LARGE losses at Saks Fifth Avenue over the past two years have eroded the US luxury retailer's capital bases and led it to seek more funding from the Middle East earlier this year, AP-DJ reports.

The figures, contained in a confidential Saks document, showed the company incurred net losses of \$398m in the 19 months to January 31 1992.

Saks officials, in an interview, denied the company had suffered any losses or developed funding problems, but would not comment further.

Earlier this year, Saks announced that Investcorp, the Middle East-backed investment company which acquired the retailer from Britain's BAT Industries via a leveraged buy-out in 1990, was injecting another \$300m of equity into the retailer.

The capital injection came amid rumours of poor operating performance and late payments to suppliers. The latter was emphatically denied, although Saks said trading was "clearly very difficult".

## Safeway earnings fall 6.5% to \$33.3m

By Karen Zagor

SAFeway, the California-based supermarket group, yesterday reported a 6.5 per cent decline in second-quarter net earnings, reflecting the tough competition in US food retailing and the pressures of a sluggish economy.

Net income in the three months to June 13 was \$33.3m, or 28 cents a share, against \$35.6m, or 31 cents, in the same period of 1991.

Sales slid 2 per cent in the quarter to \$3.5bn, while same-store sales were 3.1 per cent below 1991 levels.

The company, which was subject to a \$4.2bn leveraged buy-out in 1986, reduced its interest expense in the latest quarter to \$67.5m from \$84.8m a year earlier.

The improvement was attributed to a decline in short-term interest rates and the refinancing of high-interest-rate debt taken on during the 1986 buy-out.

Safeway's second quarter operating profits fell 13.7 per cent to \$120.5m from \$139.7m. The company blamed the weak comparison on a strong 1991

second quarter before recessionary sales trends had fully emerged in many of its markets.

For the first six months net income dropped to \$234m, or 24 cents, compared with \$282.3m, or 27 cents, the previous year. The 1992 figures, however, include a one-time charge of \$27.8m, or 23 cents, related to the early retirement of debt.

Safeway said its operating results were also hurt by the low level of food price inflation.

Sales in the first half of 1992 were \$6.56bn, against \$6.92bn a year earlier.

Chase Manhattan Bank, a subsidiary of Chase Manhattan Corp, said it has formed a new group within its North America corporate finance sector by combining the project finance and public utilities divisions. Reuter reports from New York.

The company said it had named Mr William Rockford to head the new group. Mr Rockford joined Chase in 1972 and has held positions covering utility companies in the US.

July 1992

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## INTERNATIONAL COMPANIES AND FINANCE

# Court protection sought by Royal Construction

By Robert Thomson in Tokyo

ROYAL CONSTRUCTION, a Japanese contractor with interests in resort development, is to seek court protection.

Royal Construction said that its outstanding debts totalled ¥19bn (\$182m), and blamed the difficulties on an unidentified condominium operator which failed to pay debts, leaving Royal unable to honour payment deadlines and in need of protection from creditors.

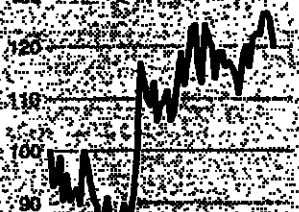
Yesterday's announcement shook investor confidence in other Japanese property companies, whose share prices fell sharply on the Tokyo stock exchange.

Trading in Royal shares on the over-the-counter market was suspended yesterday afternoon and the company later said it sought protection because the damage to its credit reputation had left it unlikely to win new government contracts. The company had been a specialist in public works projects before entering the crowded resort market.

The Tokyo stock market has been haunted by fears of property company collapses, and reports of Royal's predicament led to a sharp fall in the share price of Dai-ichi (down ¥47 to ¥733), a condominium and resort builder which last month publicly denied press reports that it was close to collapse.

Share prices of leading contractors fell, including Sumitomo Construction (down ¥26 to ¥419) and Tohoku (down ¥22 to ¥423), which is already

Japan  
Tokyo SE construction sector  
Billions of Yen, 1989-92



being restructured by its main bank, Fuji. Misawa Homes, another house builder, was down ¥49 to ¥961.

Japanese contractors have been confronted by a sharp increase in debt defaults by developers, who have been unable to find tenants for new office or apartment complexes, or who have invested wrongly in leisure projects.

Builders argue that the condominium market, in decline for the past two years, has begun to recover. The Real Estate Economic Institute said yesterday the number of unsold units in Tokyo last month was 9,953, the first month it has been below 10,000 since September 1991.

But the institute said the number of new condominiums offered for sale in June was down 34.3 per cent from the same month last year, while the average sale price of those apartments was 26.9 per cent lower than in June of last year.

## Saudi British Bank up 10%

SAUDI BRITISH BANK (SBB), the joint-venture Saudi Arabian bank, yesterday announced a rise of 10 per cent in net profits for the first half to SR128.4m (\$34.2m) from SR116.6m in the same period a year earlier, AP-DJ reports from Manama.

Total assets advanced 20 per cent to SR17.5bn at the end of June compared to SR14.6bn in the previous year.

The latest net profit figure was struck after SR18m of provisions against possible loan losses, unchanged from the first-half provisions in 1991.

SBB said it considers its provisioning "sufficient to absorb any unforeseen contingencies".

SBB is 40 per cent owned by the British Bank of the Middle East, itself a subsidiary of the HSBC.

# China Merchants sails smoothly into uncharted waters

Simon Holberton examines the flotation of a mainland Chinese company on the Hong Kong market

THE first time that Jiang Bo encountered China Merchants was in 1949 in Shanghai. The People's Liberation Army liberated the city from Nationalist control and he was one of the officials the new communist government sent into the company's then head office to seize its assets.

Today, 67-year-old Mr Jiang, a Communist party member since 1944, is China Merchant's managing director and the man who has presided over its expansion from a shipping company to one which owns hotels, three insurance companies, two banks and hundreds of small industrial companies.

He is also the man who this week scored a first in the Hong Kong capital market by floating 25 per cent of the equity of a pure Chinese mainland company, Hai Hong Holdings, a producer of marine and industrial paints.

The offering was a success. Hai Hong sought less than HK\$100m (US\$12.9m), but on Monday Hong Kong investors - hungry for any stock that can be described as a "China play" - stamped up HK\$12.2bn to make the issue 373 times oversubscribed.

Mr Jiang says it is possible that in the future Hai Hong may become China Merchant's main listed company on the Hong Kong exchange. It will always wish to retain at least 51 per cent of the company, he said, but did not rule out selling its interests in other assets the company now holds privately.

The strength of investor interest reinforced the growing importance of Hong Kong as a source of capital for the mainland.

land. Equally importantly, it underlined a significant change of approach to the colony by the mainland establishment.

China Merchants, along with the three other "Heavenly Sisters" - China Resources, Bank of China, and China Travel Service - has been one of the more conservatively-managed mainland companies in Hong Kong, preferring to go about its business with the minimum of fuss.

But in keeping with Beijing's "open door" policy of economic reform and the impending transfer of Hong Kong's sovereignty to China in 1997, the mainland's economic presence in the colony is daily becoming more visible.

China Merchants is the mainland's oldest company in Hong Kong. It was founded in 1872 by Li Rung-Chang, a late Qing dynasty reformer, and has always had close ties with the Chinese state.

Since 1949, when the communists assumed power in China, it has been under the "direction" of the Ministry of Communications. The minister of communications is the chairman of the company's board, but China Merchant's operational headquarters is in Hong Kong and, since 1978 when Deng Xiaoping's reforms were inaugurated, its managing director has been given considerable latitude to develop the business.

Today, China Merchants employs 40,000 people in 22 wholly-owned subsidiaries and 40 Hong Kong joint ventures, and operates 368 mainly industrial companies, the bulk of which are located in a region



Hong Kong: The colony is becoming an increasingly important source of capital for the mainland

of the Shenzhen special economic zone called Shekou. This is a port situated on the Pearl River Delta, which the company owns and operates on behalf of the Ministry of Communications.

Wah, which made profits of HK\$300m in 1991. Ming Wah owns and operates a fleet of ships of 3.5m dead-weight tonnes - the second largest in Hong Kong.

The core of its business remains shipping. Last year its ships carried 11 per cent of Hong Kong's trade that went by sea; they also handled 50 per cent of all marine trade by Chinese-invested companies in Hong Kong.

China Merchants also operates ship repair and maintenance facilities, and owns docks and container operations in Hong Kong, Shekou and

Shenzhen. Earlier this year it paid HK\$175m for a 15 per cent share of Modern Terminals Limited - one of the main owner-operators of Hong Kong's container port.

"Because we are under the Ministry of Communications our main business is shipping," says Mr Jiang. "But if we have the opportunity we are also prepared to diversify and develop other activities."

Since he became managing director in 1985, the company has bought into banking and insurance and increased the vertical integration of its shipping business by acquiring a

largest. The pre-tax loss was ¥6.04bn (\$48.5m) for the fiscal year ending on March 31 - the first loss since the former national flag carrier went private in 1987.

Last month, the company said it was reviewing its routes, investment and personnel to counter a sharp drop in its ability to compete. Some 400 jobs will be eliminated and the management team will be restructured in an effort to return to profitability.

The company also owns a shipping line, called Ming

ship repair business and warehouses.

The company has also done its bit for the economic development of other parts of the mainland by setting up businesses in the Pudong area of Shanghai and in Weihai, Shandong province, and recently acquiring an 18 sq km area of land in Zhangzhou, Fujian province, to develop as a free trade zone.

These ventures are part of the "developmental" role the big mainland companies in Hong Kong are meant to fulfil for China. In Shekou, where the company has funded the ports development and taken shares of 310-odd industrial companies which have set up business there, it is also building a 35km railway to connect the port with the industrialised part of Shenzhen to the west.

The company's move into banking and insurance fulfils both the developmental and profit-seeking brief it has been given. Scottish Lion may be a loss-maker today, but China Merchants has plans to set up a branch in Shanghai and, as a mainland-owned company, it should be well placed to take advantage of the liberalisation being planned for China's insurance market.

Similarly in banking. It owns a controlling interest in Hong Kong's Union Bank, and has a joint venture bank on the mainland, China Merchants Bank. Both are small, but the seeds of future growth have been sown.

As Mr Jiang said: "I joined the revolution in 1949 to make China rich and strong."

## Time Warner quits venture

TIME Warner, the US media group, said it was withdrawing from a consortium, led by Germany's Bertelsmann, which has applied to set up a German television channel, Reuter reports.

Time Warner said it had notified the other shareholders that it was exercising its right to withdraw from the consortium, known as the Westschene Channel (VOX).

## JAL considers cutting routes

JAPAN AIRLINES (JAL) is studying the possibility of eliminating some of its less-profitable international routes, a company spokesman said yesterday, AP-DJ reports.

The spokesman said two weekly flights between Tokyo and Copenhagen and one weekly flight between Tokyo and New Delhi may be cut.

Sluggish economic growth and heavy investment badly hit the airline, the country's

## WORLD TEXTILES

The FT proposes to publish this survey on September 10 1992.

Textiles are one of the most heavily traded goods in the world. To discover what the FT is planning for this survey and how to reach our international audience of decision makers, financiers and government administrators contact:

Ruth Pincombe  
Tel: 061-834 9381  
Fax: 061-832 9248

FT SURVEYS

## TENDER NOTICE

### UK GOVERNMENT ECU TREASURY BILLS

For tender on 14 July 1992

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a tender basis on Tuesday, 14 July 1992. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 16 July 1992 and will be in the following maturities:  
ECU 300 million for maturity on 13 August 1992  
ECU 300 million for maturity on 15 October 1992  
ECU 400 million for maturity on 14 January 1993

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 0.30 p.m. London time, on Tuesday, 14 July 1992. Payment for Bills allotted will be due on Thursday, 16 July 1992.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 16 July 1992 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 14 January 1993. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented), in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England  
7 July 1992

## BankAmerica Corporation

(Incorporated in the State of Delaware)  
U.S.\$400,000,000  
Floating Rate Subordinated Capital Notes Due 1997

Holders of Notes of the above issue are hereby notified that for the next interest sub-period from 8th July, 1992 to 10th August, 1992 the following will apply:

1. Interest Payment Date: 8th September, 1992.
2. Rate of Interest for Sub-period: 5% per annum.
3. Interest Amount payable for Sub-period: US\$222.22 per US\$500,000 nominal.
4. Accumulated Interest Amount payable: US\$420.55 per US\$500,000 nominal.
5. Next Interest Sub-period will be from 10th August, 1992 to 8th September, 1992.

Agent Bank:  
Bank of America  
International Limited

## MITSUBISHI FUDOSAN CO., LTD.

YEN 30,000,000,000 FLOATING RATE NOTES DUE JULY 1997

Notice is hereby given that for the interest period from 8 July 1992 to 8 January 1993 the rate of interest will be 5.4% per annum. The interest payable on the 8 January 1993 will be Yen 271,504 per each YEN 10,000,000 Note.

Agent Bank:  
The Mitsui Trust and Banking Co., Ltd.,  
London

## SGA SOCIETE GENERALE ACCEPTANCE N.V.

JPY 5,000,000,000  
STEP-UP COUPON  
NIKKEI-LINKED  
GUARANTEED NOTES  
DUE 1992

Notice is hereby given that, in accordance with the Terms and Conditions, the Notes will be redeemed on July 17th, 1992 at the "Redemption Amount" calculated by Nomura Bank International Plc London as

Calculation Agent in accordance with condition 5(c) which will be JPY 10,000,000 per Note of JPY 10,000,000

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## OBITUARY

### MACRAE

On 6th July, 1992 peacefully at his home at Hemmingsford Abbots, Cambridgeshire. Dr Donald Kenneth Macrae Phd BSc ARCSA. Aged 54. Dearly loved husband of Dianne and loving father of his four girls. Funeral service to be held at St Margaret's Church, Hemmingsford Abbots, Cambs on Monday 13th July at 2.30 pm, followed by a private cremation. Family flowers only please, but if desired donations may be made to either the National Trust for Scotland or Cancer Relief McMillan fund.  
C/o Dennis Easton, Funeral Service, The Lodge, Boardwalk, St Ives, Cambs, PE17 4PU.

## COMPANY NOTICES

### NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN PIONEER ELECTRONIC CORPORATION

We are pleased to announce that copies of the 1991 Business Report and the Annual Report, for the year ended 31st March, 1992 are now available to EDR holders, upon application, to The Bank of Tokyo, Ltd., 12/15 Finsbury Circus, London EC2M 7BT, and the Agent, The Bank of Tokyo (Luxembourg) S.A., Residence St. Raphael, 1-3 Rue du St. Raphael, 1475 Luxembourg.  
Bank of Tokyo International Limited,  
(London Depositary)  
8th July 1992

### OKG AKTIEBOLAG (formerly Oskarskrona Aktiefond)

U.S.\$50,000,000  
RETRACTABLE BONDS 1997  
In compliance with the requirements of the London Stock Exchange, we inform holders of the above mentioned Bonds that copies of the English language version of the Annual Report and Accounts of OKG Aktiefond are available from the offices of Hambros Bank Limited, at Tower Hill, London EC3N 4HA.

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Notice is hereby given that for the Interest Period from July 8, 1992 to January 8, 1993 the Notes will carry an Interest Rate of 4.5625% per annum. The amount of interest payable on January 8, 1993 will be Yen 233,194 per Yen 10,000,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.  
London, Principal Paying Agent

July 8, 1992

## U.S. \$200,000,000

### American Express Bank Ltd.

Floating Rate Subordinated Capital Notes Due 1999

Notice is hereby given that for the Interest Period from 8th July, 1992 to 8th October, 1992 the Notes will bear interest at the rate of 3.75% per annum. The interest payable on 8th October, 1992 against Coupon No. 22 will be U.S. \$94.24 per U.S. \$100,000 Nominal and U.S. \$2,355.90 per U.S. \$250,000 Nominal. DATED THIS 8TH DAY OF JULY, 1992.

Principal Paying Agent  
ROYAL BANK OF CANADA  
EUROPE LIMITED

## S.G. Warburg Capital B.V.

U.S.\$200,000,000 Floating Rate Notes 2006

unconditionally and irrevocably guaranteed by

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In accordance with the provisions of the Notes, notice is hereby given that, for the six month period, 8th July, 1992 to 8th January, 1993, the Notes will bear interest at the rate of 3.125% per cent, per annum. Coupon No. 13 will therefore be payable on 8th January, 1993 at U.S.\$5,031.25 per coupon from Notes of U.S.\$5,000,000 nominal and U.S.\$201.25 per coupon from Notes of U.S.\$10,000,000 nominal.

S.G. Warburg & Co. Ltd.  
Agent Bank

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## OMRON CORPORATION

Notice is hereby given that payment of a Cash Dividend of Yen 50 per share has been made to the shareholders of OMRON CORPORATION for the fiscal year ended 31st March 1992.

The dividend will be payable in United States Dollars to holders of the United States Depository Receipts (USDRs) of OMRON CORPORATION and will amount to \$0.2500 per USDR after deduction of any Japanese Withholding Tax.

RESIDENTS OF THE UNITED KINGDOM will receive payment in sterling converted at the rate of exchange ruling on the day of presentation of the coupon.

RESIDENTS OF THE FOLLOWING COUNTRIES who are subject to deduction of Japanese Withholding Tax at the rate of 15%, will receive a net dividend of \$0.2125 per USDR after deduction of Withholding Tax amounting to \$0.0375.

RESIDENTS OF ALL OTHER COUNTRIES (EXCLUDING THE REPUBLIC OF KOREA) who are subject to deduction of Japanese Withholding Tax at the rate of 20%, will receive a net dividend of \$0.2000 per USDR after deduction of Withholding Tax amounting to \$0.0500.

RESIDENTS OF THE REPUBLIC OF KOREA who are subject to deduction of Japanese Withholding Tax at the rate of 20% will receive a net dividend of \$0.2000 per USDR after deduction of Withholding Tax amounting to \$0.0500.

TO OBTAIN PAYMENT UNDER DEDUCTION OF JAPANESE WITHHOLDING TAX AT A REDUCED RATE, THE COUPON MUST BE ACCOMPANIED BY AN AFFIDAVIT OF RESIDENCE APPROVED BY THE JAPANESE MINISTRY OF FINANCE.

FORMS OF AFFIDAVIT ARE AVAILABLE AT ANY OF THE OFFICES LISTED BELOW. IN THE ABSENCE OF SUCH AFFIDAVIT COUPONS WILL BE PAID UNDER DEDUCTION OF WITHHOLDING TAX AT THE FULL RATE OF 20%.

Attention is drawn to the fact that the above mentioned corporations relating to Japanese Withholding Tax apply only to coupons presented for payment within five months of the record date, 31st August 1992. Thereafter, tax will be deducted at the full rate of 20% and will be the responsibility of the holder to claim from the Japanese Tax Authorities any refund to which he is entitled.

HOLDERS OF BEARER DEPOSITORY RECEIPTS OF OMRON CORPORATION who are entitled to receive a dividend should present Coupon No. 58 at the Office of any of the following:

Hill Samuel Bank Limited,  
45 Beach Street, London EC2P 2LX.

45 Beach Street, London EC2P 2LX.  
Offices representing firms are available:  
Konsolidbank S.A. Luxembourg;  
43 Boulevard Royal, Luxembourg;  
Bank of Tokyo Limited,  
45 Boulevard Royal, Paris 1 France;  
Bank of Tokyo Limited,  
Immermannstrasse 41,  
4020 Düsseldorf, Germany;  
Bank of Tokyo Limited,  
Avenue des Arts 47-49,  
1040 Brussels, Belgium;  
Bank of Tokyo Limited,  
Sutherland House,  
15 Colston Road, Hong Kong;  
Bank of Tokyo Trust Co.,  
100 Broadway, New York, U.S.A.

In the case of Coupons presented for payment in London, United Kingdom tax will be deducted from the dividend unless accompanied by an Inland Revenue Affidavit of Non-Residence.

Hill Samuel Bank Limited,  
45 Beach Street,  
London EC2P 2LX.

U.S. \$100,000,000  
Security Pacific Corporation

Subordinated Floating Rate Notes due 1992

Notice is hereby given that for the Interest Period from July 8, 1992 to October 1, 1992 the Notes will carry an Interest Rate of 3.125% per annum. The coupon amount payable on October 1, 1992 will be U.S. \$91.43 and U.S. \$91.49 respectively for Notes in denominations of U.S. \$100,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank  
July 8, 1992

## SWEDEN

The FT proposes to publish this survey on November 10 1992.

Should you be interested in acquiring more information about this survey or how to advertise please contact:

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FT SURVEYS

## MITSUBI MARINE & FIRE INSURANCE COMPANY LTD

Notice to EDR Holders

(see depository share certificate of Mitsui Marine & Fire Insurance Co. Ltd. dated 27th March 1992)

Hambros Bank Limited announce that it has received the dividend for the year ended 31st March 1992 payable to holders of Mitsui Marine & Fire Insurance Co. Ltd. depository shares.

The dividend is payable in sterling converted at the rate of exchange ruling on the day of presentation of the coupon.

For holders of Mitsui Marine & Fire Insurance Co. Ltd. depository shares who are subject to deduction of Japanese Withholding Tax at the rate of 15%, the net dividend will be Sterling 1.00 per share after deduction of Withholding Tax amounting to Sterling 0.15.

For holders of Mitsui Marine & Fire Insurance Co. Ltd. depository shares who are subject to deduction of Japanese Withholding Tax at the rate of 20%, the net dividend will be Sterling 0.90 per share after deduction of Withholding Tax amounting to Sterling 0.10.

For holders of Mitsui Marine & Fire Insurance Co. Ltd. depository shares who are subject to deduction of Japanese Withholding Tax at the rate of 20%, the net dividend will be Sterling 0.90 per share after deduction of Withholding Tax amounting to Sterling 0.10.

Hambros Bank Limited  
8th July 1



## Boots joins queue of UK groups seeking long finance

● The long-term debt rating of Banca Nazionale del Lavoro (BNL) has been downgraded by Moody's from Aa1 to Aa3. About \$2.7bn of debt is affected. The rating agency cited concerns about asset quality and the effectiveness of the bank's risk management controls, as well as the longer term profitability of the bank.

lottery operator, is preparing \$150m offering, via Donaldson Lufkin Jenrette.

Type	Change	Yield	Week ago	Month ago
10-year	-	8.67	8.91	8.95
20-year	-	8.78	8.97	8.95

standards, or by a desire to make their financial statements more attractive so they could gain access to international capital markets.

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(C.I. #1144)	1100	54	79	110	44	30	38
	1150	18	51	80	21	56	63

<b>Legal &amp; Gen</b>	29	<b>SmKI Behn</b>
<b>Lux Services</b>	22	<b>T1</b>
<b>Lloyds Bank</b>	32	<b>T86</b>
<b>Lonbro</b>	13	<b>Tnaco</b>

TR	35	Fort	19	Maritz Research	124	Tribune	31
Aerways	29	GKN	33	Midland Bank	30	Unilever	27
us Circle	24	Gec Accident	38	NatWest Bank	28	Victoria	2
gosh	34	GEN	17	P & O Direct	37	Wellcome	6
gussey	30	Glass	52	RAC Elect	61	as PROPERTY	1
nt Aerospace	7	Grand Met	38	RHM	18	Brit Land	1
ush Steel	28	ICI	15	Rank Org	66	Land Sec	3
	25	Hanson	19	ReadLine	8	MEPO	3
ubury	35	ICI	15	ReadLine	8	MEPO	3



## COMPANY NEWS: UK

# Seeboard up 45% and gives customers rebate

By David Lascelles,  
Resources Editor

SEEBOARD, the electricity distributor serving south-east England, yesterday reported a sharp increase in profits – and immediately promised a minimum £10 rebate for all its customers.

Mr George Squair, chairman, said that the rebate and recommended 17 per cent dividend increase "provide evidence that privatisation can bring benefits to shareholders and customers alike".

Seeboard's pre-tax profits for the year ending March 31 were £98.4m, up 45 per cent from the £67.8m given in the pro forma accounts for last year's privatisation. This amounted to earnings per share of 53.5p, up from 36.5p.

The company's mainstream business continued to grow despite the recession.

Electricity distributed rose by 1.4 per cent, and the average tariff increase amounted to 1.9 per cent. The distribution business made a profit of £91.5m, up from £64.2m. Con-

trollable costs were reduced by 3.6 per cent.

The supply business made a profit of £14.2m, down from £7.2m because of the squeeze on margins.

Seeboard has regained 31 large industrial customers in its area, but Mr Jim Ellis, chief executive, stressed that Seeboard only accepted business in this market if it was profitable.

The non-regulated businesses saw their contribution fall from £2.9m to £2m because of the recession.

Retailing turnover was up 11 per cent to more than £50m, and electrical contracting work rose to £26m, up 15 per cent. Seeboard is also expanding into the power generation and gas distribution businesses.

Seeboard's dividend increase is the largest so far proposed in this round of electricity results. The final pay-out will be 12.25p making a total dividend of 17.25p. Dividend cover increased from 2.5 to 3.1.

Mr Ellis said the results pointed to an underlying growth in the business of

about 1 per cent.

Mr Squair, who will be succeeded by Sir Keith Stuart in September, said: "Seeboard has come through the testing initial period which followed flotation with flying colours."

## COMMENT

The £10 rebate – which will cost Seeboard about £20m – will be seen as a stunt to deflect attention from high profits and the most handsome dividend increase seen in the sector so far. But the real reason is the regulatory system which requires regional electricity companies to set their tariffs on the basis of forecasts of costs rather than past history, and Seeboard overestimated them. Even so, this is one of the best electricity company results to date, showing underlying growth and a well covered dividend. The stock market seemed to think Seeboard's concern for its customers is good for business: the share price rose a few pence to 330p where the yield is 5 per cent, one of the lowest in the sector.

# Hillsdown acquisition gets MMC clearance

By Angus Foster

THE MONOPOLIES and Mergers Commission has cleared Hillsdown Holdings' purchase of the fruit and vegetable canning and ambient stored meals businesses of Associated British Foods.

The MMC said the acquisition gave Hillsdown substantial market shares in those sectors and for individual products. Hillsdown and Anglian Cammery, one of the businesses acquired, had combined sales of £130m in 1990, equal to a little more than half the total UK market for canned seasonal vegetables.

But the MMC found Hillsdown was unlikely to be able to exploit its position because of the buying power of multiple retailers and competition from other producers.

The MMC also decided the market for ambient stored meals would not be damaged. Competition was provided by branded products and by chilled and frozen meals.

# Cellnet helps Securicor to 97% growth

By Roland Rudd

A SHARP recovery at its Cellnet mobile telephone system during the half year to March 31 helped lift pre-tax profits at Securicor, the security, parcels and communication company, by 97 per cent to £26.6m compared with £13.5m.

Sales for the half year were £288m (£275m).

Cellnet, which is 40 per cent owned by Securicor and its sister company, Security Services, produced in its second half pre-tax profits of £57m (£30m). Cellnet's contribution to Securicor's operating profits was therefore increased from £12.1m to £22.5m.

Mr Roger Wiggs, chief executive of Securicor, said Cellnet's result was based on the popularity of its new call-back message system introduced in November. Although it was introduced after its main rival, Vodafone, introduced its call-back system, Mr Wiggs described it as the "most sophisticated" in the market.

Benefits from Cellnet's call-back system helped offset the £3.33m (£5.19m) loss from Securicor's other cellular operations.

Operating profits from parcels delivery increased from £1.97m to £3.98m following the group's decision to offer a higher premium service. Its



Roger Wiggs: call-back message system proved popular

sales were £110m (£102m) and 3.2 parcels were delivered to each customer compared with an average of 1.8 parcels. Since the acquisition of most of Federal Express' UK operations Securicor has 15 per cent of the overnight parcel delivery market.

Security profits fell from £4.38m to £3.45m as the group took a £860,000 redundancy cost over the closure of its West Drayton office near Heathrow.

The interim dividend is

increased to 0.665p (0.616p). Earnings per share increased to 10.8p (7.1p).

Security Services, Securicor's 50.75 per cent subsidiary, made pre-tax profits of £18.6m (£8.8m). Earnings rose to 9.8p (5.6p). The interim dividend is 1.394p (1.291p).

## COMMENT

An 8 per cent dividend increase against a 97 per cent pre-tax profit increase looks rather mean. It should, however, be remembered that Securicor only derives its contribution from Cellnet in the form of an after-tax dividend at the year end. That dividend is unlikely to top £15m. Nonetheless, investors will understandably be disappointed if the group does not raise its final dividend by more than a 6 per cent. Cellnet's figures, while better than anticipated, need to be put into context. For the full year to March it made pre-tax profits of £106m compared with Vodafone's £272m. Cellnet argues, with some justification, that the figures are not comparable since Vodafone is sitting on a cash pile. Yet Cellnet still has some catching up to do.

With Securicor's forecast pre-tax profits of £59.4m, giving earnings per share of 24.6p, its A shares – up 15p to close at 571p – are on a demanding prospective multiple of 23.

# Yorkshire Electricity improves to £142m

By Juliet Sychrava

YORKSHIRE Electricity yesterday announced one of the more modest profit increases of the sector reporting season.

Pre-tax profits for the 12 months to March 31 amounted to £141.9m, a 21 per cent increase on the previous year's pro forma figures, giving earnings per share of 48.3p.

A proposed final dividend of 12.50p lifts the total to 17.76p; the company said it expected to maintain real dividend growth of between 5 and 8 per cent.

The reason for the modest underlying growth in earnings was that the company was not forced to push tariffs up as sharply in April 1991 as regional companies who had undercharged the previous year.

The main distribution business contributed most to the profits upturn, making operating profits of £135.3m against £107.4m.

This was mainly due to higher tariffs, but about 1.5 per cent of the increase came from a modest 0.9 per cent increase in volumes sold.

Costs in the business rose by about £2m net, after a saving

of 2 per cent real, or about £3m after 100 jobs were cut.

The supply business saw operating profits fall to £8.9m (£14.2m). Costs rose as the company made a £8m (£3.5m) provision for bad debts and spending on customer services rose.

The retail business incurred a loss after a bad debt provision at the interim stage of about £10m, but was now trading profitably.

Contracting and other non-core businesses made a small contribution.

The company expects little improvement in electricity sales, but fairly consistent cost and job cutting.

The gas marketing business, set up last month, will begin earning in August.

## COMMENT

Yorkshire deserves a prize for avoiding the clichés of every other regional company about

matching shareholders' and customers' needs. It has a good record on customer service and its tariff increases this year are the second lowest of the 12 companies. Thus, it can afford to express confidence in the regulatory formula by charging customers the maximum allowable. This strategy of collecting a bit extra in advance has pleased shareholders, made sure the supply business is in profit, and cushioned the company against unexpected cost increases. But given that the regulator yesterday emphasised that he would clamp down on companies' charges to customers if he thought they were not cutting costs enough, Yorkshire's 2 per cent real cost saving might look a little modest. Analysts expect pre-tax profits this year of £155m-£160m, putting the shares on a prospective p/e of 6.4 to 7.9. A dividend of between 19.5p and 19.9p is forecast.

ments in excess of £5m, and giving a geographical and industrial split for all. He says the changes reflect 3i's intention to seek a listing. They may yet be in the last set of accounts before the delayed flotation takes place.

Mr Brian Larcombe, executive director for finance and planning, argues that the new approach places the accounts "on the high ground", notably with a fair value for the assets on the balance sheet, while he says the accuracy of some other companies' valuations has been criticised.

A three-page valuation policy statement shows that 3i calculates the gross valuation of profit-making companies by multiplying the latest reported earnings by the FT-Actuaries p/e ratio for the relevant industrial sector.

Loss-making companies are generally valued at half the net tangible asset value, or if failure is expected, the equity is valued at nil. New investments are generally valued at cost until the first post-acquisition accounts are received.

3i then applies a liquidity discount to

# 3i's new accounts lift veil on activities

By Andrew Jack

"IT'S ABOUT lifting the veil," says Mr Ewen Macpherson, chief executive of 3i, the venture capital group, in a reference to the accounting changes and greater disclosure in the company's latest set of accounts.

This year's financial statements provide far more information than either their predecessors, or many of their investment trust and venture capital competitors. They also represent a move to less conservative policies.

In his review, Mr Macpherson highlights three areas of change in the accounts for the year to March 31 1992, which he says should provide a better understanding of the company's "strengths and long term philosophy".

● disclosure of valuations policy on investments, and a change in some of these policies

● division of operating costs between revenue and investment realisation profits

● details of the portfolio, listing invest-

ments in excess of £5m, and giving a geographical and industrial split for all.

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the gross value to reflect their lack of marketability. These have ranged from 40 per cent for companies with a capitalisation below £5m, through 20 per cent for investments on the unlisted securities market to nothing for listed investments and those valued at cost.

The company recently reviewed the valuation policies reducing its top rate 40 per cent discount to 30 per cent, and valuing USM stocks at mid-market prices. That has increased net asset values by £32m.

By transferring £13.5m of the operating and administrative costs from revenue to an investment realisation profits reserve, 3i is adopting a policy used by many investment trusts. But it also has the advantage of increasing the company's dividend cover, since it is only allowed to pay dividends from revenues.

The geographical and industry-sector break-down of investments gives an insight into the breadth of the 3i portfolio. But the disclosure of investments above £5m is not complete. Up to ten of the 80 enterprises did not want to be named.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final.

TODAY  
Interline: Gardiner, M & G Dist Trust, Newmans Tonic, Bepak, Bogod, Budge, Dabon, Fintek

Eastern Electricity, French Connection, Urban Lyons, Hellen, Type Enrich

FUTURE DATES  
Interline: Aberdeen Smelter Co., July 17  
Simon Engineering, Aug. 5  
Trust of Property Shares, July 13

Pharm: Braxway, July 16  
Sileid, July 14  
Tomkins, July 13

## 3i GROUP PLC

91 Waterloo Road, London SE1 8XP

End of year statement by the Chairman, Sir John Cuckney

"It is gratifying to be able to report that 3i has increased its net asset value per share despite the difficult recessionary times experienced throughout the year under review. In the last five years 3i's growth in net assets has out-performed the FT Actuaries All Share Index by 5% pa."

"We are currently experiencing the early signs, albeit patchy, of recovery from recession, but it is most unlikely to be a smooth and trouble-free emergence from such a long and, initially, understated recession."

"In our last financial year we invested £42m, of which £28m was invested in the second half of the year. This increase did not result from any relaxation of our investment criteria but from a significant improvement in the quality and number of investment opportunities. I am further encouraged by the fact that there has been a substantial reduction in provisions created against investments compared with the previous year."

Summary of audited results for the twelve months to 31 March 1992

	Year to 31 March 1992	Year to 31 March 1991
Shareholders' funds	1,268,188	1,224,801
Net Assets per share	£5.38	£5.21
Total return after tax		
Revenue surplus	31,958	43,986
Investment realisation profits less losses and provisions	11,949	(30,358)
Unrealised appreciation	21,935	5,927
Other movements	2,822	5,568
Total return after tax	68,762	25,623
Dividends	(25,619)	(24,385)
Total movement in reserves	43,143	(682)
Revenue:		
Income from investment assets	283,119	237,693
Other income	28,773	25,432
Net interest payable	(135,650)	(149,458)
Operating costs	(58,158)	(66,688)
Revenue before tax	48,075	55,987
Tax	(7,456)	(13,454)
Minority interest	(637)	(565)
Extraordinary items		2,949
Revenue surplus for period	31,958	43,986
Investment realisation profits less losses and provisions:		
Realisation profits less losses	88,972	111,152
Provisions charged less releases	(60,891)	(137,828)
Operating costs transferred from revenue	(13,367)	(17,799)
Tax	(2,165)	28,743
Minority interest	12,929	(35,692)
Extraordinary items	(388)	(683)
Investment realisation profits less losses and provisions	11,949	(30,358)
Unrealised appreciation reserve movement:		
Released on realisation	(54,584)	(58,624)
Change in value of investments during period	31,605	6,557
Minority interest	(386)	878
Deferred tax	(14,792)	53,916
	21,935	5,927

This statement is issued by 3i Group plc which is an authorised institution under the Banking Act 1987 and is regulated in the conduct of investment business by SIB.

## SEEBOARD plc

Preliminary Announcement of Annual Results  
for the year to 31 March 1992

# SHARING SUCCESS

- ◆ Profit before tax £98.4m
- ◆ Earnings per share 53.5p
- ◆ Proposed total dividend 17.25p per share
- ◆ Tariff rebate to customers in the autumn
- ◆ Amongst lowest tariffs

"This has been a challenging and successful year where dedication to quality has delivered outstanding results. We are pleased to share the benefits of our success with shareholders through an attractive dividend and through a rebate to tariff customers who already enjoy Seeboard's low prices."

George Squair  
Chairman

Financial Highlights	1992 Actual £m	1991 Pro forma £m	1991 Actual £m
Turnover	1,157.0	1,047.5	1,047.5
Profit before taxation	98.4	67.8	81.4
Earnings per share	53.5p	36.5p	43.6p
Proposed dividend per share (net)	17.25p	14.76p*	14.76p*

\* Includes 4.40p national interim dividend

**SEEBOARD**  
Doing a power of good

The Annual Report and Accounts for the year ended 31 March 1992 will be published and distributed to all shareholders in early August 1992. If you wish to obtain a copy please write to, or telephone, the Company Secretary, SEEBOARD plc, Grand Avenue, Hove, East Sussex BN3 2LS. Telephone (0273) 746,746 (Registered in England No 2366867)



## COMPANY NEWS: UK

# Howden rises to £18m as Danish provisions fall

By Peter Pearce

HOWDEN GROUP, the Glasgow-based engineer whose recent results have been plagued by a contract to supply tunnelling machines to Denmark, lifted pre-tax profits from £2.9m to £18.1m in the year to April 30 after a sharp reduction in exceptional provisions relating to the Danish contract.

The company said that MT Group, the international consortium constructing the twin rail tunnels under the Great Belt waterway, had recently escalated the contractual disputes with James Howden, which supplied four boring machines, by threatening to demand payment of two bank guarantees - a performance bond of £7.3m and another for liquidated damages of £5.8m.

This, Howden said, was despite indications given to the contrary and despite MT defaulting on payments to James Howden and denying it the right to perform under the contract.

Howden described the consortium's move as "a tactical manoeuvre" in the long-running dispute which is before the courts in Scotland and arbitration in Denmark.

Howden has applied for an injunction to prevent MT "pulling" the bonds, but said that, even if that happened, the damage to Howden would be slight - the £13.6m loss would not much hurt the now "sound balance sheet".

Acknowledging that the Great Belt contract had not benefited the company one penny and had been a main

claim on the board's time, Howden said that £2.4m cash from operations and £30.4m from August's rights issue had reduced group borrowings from £63.7m to £24.9m over the year. Subsequently interest charges fell from £9.58m to £5.13m, helping the pre-tax increase.

The company said that MT dispute was not a shackle on its operating businesses, though the lack of Great Belt work accounted for £20m of the fall in turnover to £282.3m (£330.6m). Group operating profits rose by £1.3m to £24.3m (£230.6m). Group operating profits rose by £1.3m to £24.3m (£230.6m).

Last time's exceptional charge of £10.4m shrank to £1.07m. This was further provision for possible future legal costs on the dispute.

Mr John Jackson, chairman, said that Howden's "strength in international markets had protected it from the worst of the recession". The order book at the beginning of the current year stood at £300m (£250m), which includes Howden Canada's £84m share of a yet to be finalised power station plant order from Iran.

Mr Jackson said that the air and gas handling division - 48 per cent of group turnover - "had a busy and successful year", while construction and mining equipment's was "disappointing". Aerospace "expected a significant contraction in its markets" and processing and packaging "operated in quieter market conditions".

The proposed final dividend is 1.3p (nil) making 2p (1.5p) for the year, as forecast last July, payable from earnings of 5.7p (1.4p).

## P&P turns round to £1m

By Peter Pearce

P&P, one of the UK's largest distributors of personal computers, saw pre-tax profits shrink from £3.3m to £1m in the six months to May 31.

However, Mr David Southworth, chairman, stressed that profits this time represented a sharp turnaround - in the second half of last year P&P incurred losses of £2.6m. Many people had been writing the company off, he said, "but P&P is far from dead." However, the interim dividend is almost halved to 0.7p (1.33p).

He said the company was now over the worst, though he added that in a recession where manufacturers reduced prices, the competition was squeezed.

"Vigorous cost reductions" and "a revision of the whole

cost structure" had been implemented to achieve the turnaround. This resulted in the loss of almost 200 jobs, though this figure is clouded by the acquisition of ICI Computer Systems. The ICI deal - a four-year agreement whereby P&P supplies the chemicals company with its PC needs - is a model for future P&P partnerships.

The European operations are seeing the same drop in prices and margins as the UK side, said Mr Southworth, but were reacting more quickly, because lessons had been learned.

Last time's pre-tax profits would have been £2m greater but for an exceptional charge relating to a stock write-off for discontinued lines. Turnover this time slipped to £119m (£121m). Earnings shed 2p to 0.3p per share.

# Tokyo gives cautious response to Wellcome

By Emiko Terazono in Tokyo

WELLCOME has received a cautious response from investors in Tokyo, the first stop on a global road show to promote the international tender offer for the drug company's shares.

As Mr John Robb, chief executive, moved on to presentations in the US this week, most Japanese investors said they would wait to see the reaction in other parts of the world before deciding on how big a commitment to make to the shares.

"We'll need to see the reaction of investors overseas," said a fund manager at Tokyo Marine and Fire, a leading non-life insurance company. He added that buying Wellcome would mean selling stocks such as Glaxo or Smith-Kline Beecham, in order to maintain his portfolio's exposure to British pharmaceutical companies.

Although Wellcome is known in Japan for AZT, its anti-Aids drug which achieves local annual sales of ¥250m (£105m), its presence lags behind other leading UK drugs companies.

One fund manager said he was thinking of spending ¥30m but considered the share price still too high despite its sharp fall since the issue was announced. "The offer doesn't seem to be generating excitement, and I would rather buy shares of Astra, the Swedish drugs company," he added.

Many Japanese institutional investors, hurt by the slump in the domestic stock market, are looking to decrease investments. Last year, net purchases of foreign stocks by Japanese investors fell from ¥6.3bn to ¥3.6bn (£1.9bn).

Some 250 investors turned up to Wellcome's Tokyo presentation but they will have to wait until next Monday before they can begin to participate in the tender process.

# An automatic initiative to take on Goliath

Andrew Baxter on how Control Techniques plans to attack a global mass market

THERE IS nothing wrong with being ambitious, but some western industrialists who have seen their markets hammered by Japanese competition might think Mr Trevor Wheatley and Control Techniques have gone too far.

Mr Wheatley, chairman of the Powys-based controls and drives producer, is about to attack a mass market of fundamental importance to the development of factory automation but one where the UK has been conspicuous for its absence - except, as so often happens in engineering, in the pioneering years of the 1950s and 1960s.

This autumn, two years after CT bought Cranfield Precision Systems, it will start shipping a product that it hopes will put the British flag on a map dominated by powerful Japanese, US and continental European companies - the world market for computer numerical control (CNC) equipment used to run machine tools.

The story has all the hallmarks of a David and Goliath encounter, with no guarantee of a similar ending. Control Techniques is no minnow - sales could reach £100m this year, or right to take the plunge in the middle of a worldwide machine tool recession, and most importantly, does it have the right product?

Mr Wheatley robustly defends the initiative. First, he says, it is important for CT to have a CNC range to accompany drives and servos that are increasingly bought in a package by machine tool builders.

As such, the CNC launch caps an acquisition programme that began with Soprel, the Italian servo drive company, and Moore Reed, the UK brushless motor producer, before CT took over the Cranfield company in 1990.

Secondly, CT genuinely believes it has come up with something different. Its new flexible numerical control (FNC) technology has been developed as a mass-market



one in the European market in five years time. "It will mean a lot of work, but it's not impossible," he says.

The CT initiative raises some questions: is it launching too late into the mass CNC market, or right to take the plunge in the middle of a worldwide machine tool recession, and most importantly, does it have the right product?

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Secondly, CT genuinely believes it has come up with something different. Its new flexible numerical control (FNC) technology has been developed as a mass-market

product from Cranfield's existing, highly sophisticated CNC equipment.

According to Mr Margetts, CT found that while there was still a market for Cranfield's highly-specialised 16-axis control, the machinery industry overall was crying out for a low-cost but flexible approach where optional extras are standard, and end-users have the power to customise their system whenever and however they wished.

"We now have a highly competitive total package to offer to the machine tool industry," says Mr Wheatley.

CT is gambling that the machine tool industry and its customers will like FNC enough to specify it in preference to other CNC technology. In its favour is the Cranfield name, and the fact that there are already plenty of big users of its existing top-of-the-range system. Machine tool builders are often willing to switch CNC systems if a customer requests it, so long as there are no technical obstacles.

The recession, too, could even have a beneficial effect on early sales of the FNC system, says Mr Wheatley. "If you are a machine tool builder and you're not selling, you've got to look at every aspect of your machine. If we can offer a new product at a lower price or at a competitive price, he's going to take it."

Initially, the challenge for CT will be to win market acceptance for the product. One UK machine tool builder said it had no doubts about FNC's technical excellence, but felt it should wait a few years to see how the initiative developed, before committing itself to a new supplier.

A second problem for CT is the risk of being drawn into a price war by the larger concerns. CT plans to be competitive, but will also stress other factors such as UK delivery times of one to three days compared with seven weeks for some competitors.

For a UK entrant to the market, CT also faces the need to develop overseas sales quickly

without overstretching itself. The company is now working on engineering support and training for the European market, but Mr Wheatley says: "We're not going to rush in. We'll select where we go, and the way we do business."

CT is discussing two deals, one in Germany and the other in the US, to supply FNC to electrical companies which offer part of the machine tool drive package but lack a CNC range. This, says Mr Wheatley, would be a way for CT to develop volume quickly.

Along with the other acquisitions, the FNC initiative ought to enable CT's automation division to double or treble its £20m sales over the next two to three years, he says. CT now has the potential to sell a £10,000 package to machine tool builders, compared with £1,000 before its acquisitions programme.

This could transform the shape of CT, which is selling its loss-making process control division to concentrate on automation, and motion control where it makes most of its profits. The bulk of the process control side has been bought by Corec of France in a deal announced last month.

This year, the City expects CT to make pre-tax profits of about £7m, up from £4.1m in 1991, on turnover boosted by the 1991 takeover of Emerson Electric's industrial control drives division. The US company gained a 29.9 per cent stake in CT in exchange.

For the FNC initiative to succeed the company will have to do more than win technical plaudits from the machine tool industry. In the UK, Mr Margetts plan to extend the virtues of buying British, might strike a chord with machine tool builders worried about foreign dominance of the CNC equipment used on most metal cutting machine tools. "The UK machine tool industry would welcome a British CNC producer," said one potential customer. Buying it will be the acid test.

## SEP to boost dividend

SEP Industrial Holdings, a manufacturer and distributor of engineering products, raised pre-tax profit from £215,000 to £278,000 in the half year to March 31.

Reflecting that improvement, directors of this USM-quoted company intend to lift the dividend from 0.2p to not less than 0.65p and have declared an interim of 0.3p.

Turnover came to £11.6m (£8.3m). Comparisons included £13.5m sales and £123,000 profit attributable to Cornor Group and American Socket Screw Manufacturing. Earnings per

share were 0.7p (0.26p).

Mr Paul Formby, chairman and chief executive, said the reorganisation reduced gearing and SEP was producing significantly improved results even before the recession ended.

The better half year reflected an improved contribution from distribution, which was expected to continue. Acquisition of Huntingdon Fastener further increased market share.

Activity in manufacturing remained subdued throughout the period but "we are starting to see the first tentative signs of a recovery".

## Aberdeen Steak chief says no to minority purchase

By Angus Foster

AFTER NEARLY two years of reflection, Mr Ali Salih, chairman of Aberdeen Steak Houses, the loss-making restaurant chain, has decided he will not offer to buy out the company's minority shareholders.

Mr Salih, who owns 78 per cent of the company, said in August 1990 he was talking to his bankers about buying out minorities at a price "unlikely to be materially different"

from the 67p flotation price when the shares were listed on the USM in 1988.

Yesterday he said he would no longer proceed with the plan, prompting another fall in the share price, which dropped 2p to 18p.

The market was always sceptical about Mr Salih's plans and has marked the shares down as losses mounted since 1988.

Last year losses were contained to £422,000 compared to £3.27m in 1990.

## Securiguard ahead 20%

HELPED BY a substantial cut in interest charges, Securiguard Group raised interim pre-tax profits by 20 per cent.

Turnover in the 28 weeks to May 17 moved up to £88.8m (£84.9m) but trading profit fell to £3.4m (£3.77m). Interest cost £782,000 (£1.32m) to leave the pre-tax balance at £2.6m (£2.16m) after an exceptional charge of £287,000.

Mr Alan Baldwin, chairman, said the continuing focus on credit control and cash collection contributed to the interest savings and that progress was expected to be maintained in

the second half.

In the UK, the security division's results were down on last year's outcome which was temporarily boosted by the Gulf crisis. Indications were that it would achieve second half profits similar to last time.

Cleaning and maintenance lifted profits 18 per cent from turnover up 6 per cent; the communications side had mixed trading and personnel services reduced losses significantly.

Earnings per share rose to 8.5p (7.2p) and the interim dividend goes up to 3.5p (3.2p).

## PUBLIC WORKS LOAN BOARD RATES

Effective July 6

Term	BBP	AA1	AA2
Over 1 up to 2	9 3/4	9 1/4	9 1/4
Over 2 up to 3	9 3/4	9 1/4	9 1/4
Over 3 up to 4	9 3/4	9 1/4	9 1/4
Over 4 up to 5	9 3/4	9 1/4	9 1/4
Over 5 up to 6	9 3/4	9 1/4	9 1/4
Over 6 up to 7	9 3/4	9 1/4	9 1/4
Over 7 up to 8	9 3/4	9 1/4	9 1/4
Over 8 up to 9	9 3/4	9 1/4	9 1/4
Over 9 up to 10	9 3/4	9 1/4	9 1/4
Over 10 up to 15	9 3/4	9 1/4	9 1/4
Over 15 up to 25	10	10	9 3/4
Over 25	10	9 3/4	9 3/4

\*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ‡Payment by half-yearly annuity (fixed rate plus half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

## EVANS OF LEEDS PLC

PROPERTY INVESTMENT AND DEVELOPMENT

- Pre-tax profit up to £8,523 million (£8,040 million)
- Final dividend up to 2.85p (2.56p)
- Total Property Portfolio £211.5 million
- Net assets per 25p share 201p (213p)
- Current Rental Income £19 million

	1992	1991
Profit on ordinary activities after tax	£7,027m	£6,193m
Shareholders' funds	£122.6m	£133.3m
Dividends paid and proposed	4.15p	3.74p
Earnings per 25p share	10.67p	9.44p

The Directors of Evans of Leeds PLC accept responsibility for the contents of this advertisement, which has been approved by Messrs. BDO Binder Hamlyn, a firm authorised by ICAEW to carry on investment business.

## Compagnie Nationale Air France

FRF 600,000,000

Adjustable Rate Series A Bonds due 1996

In accordance with the Terms and Conditions of the Series A Bonds, notice is hereby given that for the Interest Period from July 7, 1992 to July 7, 1993, the Series A Bonds will carry an interest rate of 9.04% per annum.

The Fiscal Agent  
Kreditbank  
Luxembourg

## Bimec tops £6m but sees downturn

FOLLOWING AN extensive restructuring programme, Bimec Industries, the aerospace, waste treatment and engineering company, increased pre-tax profit from £5.38m to £6.04m for the year ended March 31, on turnover up from £74.5m to £103m.

Each of the group's main divisions was profitable, although the company warned that orders were now down to £50m compared to £55m at this stage last year. The half year results would therefore be disappointing unless there was an early upturn in the economy, the company said.

Earnings per share remained stable at 6.1p - after allowing for the rights issue last July - and an increased final dividend of 0.83p (1p) is recommended, to maintain the total at 1.5p.

Gresham Telecomp

at £294,000

Gresham Telecomp reported pre-tax profits of £294,000 for the six months to

April 30 on turnover of £3.95m.

Pro-forma figures for the six months to March 31 1991 from the combined results of Gresham Telecomp and for the six months and Gresham Computer Holdings for five months showed pre-tax profits of £298,000 on turnover of £4.82m.

Earnings were 0.57p and there is no interim dividend.

The company said that there had been a reduction in revenues as a result of tough trading conditions and concentrating on higher margin products.

Miskin plans its reorganisation

Miskin Group, the USM-quoted contractor, property development and plant hire group, is to prepare for the future in an "organised and practical manner", according to Mr Jeffrey Goodman, chairman.

It will continue to improve sales, reduce debt by selling off properties, and divest itself of less profitable businesses.

That will maximise profits and reduce overheads by reverting to the profitable core business - building and plumbing contracting and plant hire - of the principal subsidiary, leaving options open in respect of the future direction to be taken.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
AB Engineering	0.05	Oct 1	0.1	0.05	0.1
Bimec Inds	0.65	Sept 4	1	1.5	1.5
Colefax & Fowler	1.3	Oct 1	1.3	2.6	2.6
Creighton's	5	Sept 16	4.4	7	6.2
Equity Consort	13.125	Aug 21	18.75	24.1875	23.25
Equity Consort	26.25	Aug 21	37.5	39.375	37.5
Evans of Leeds	2.85	Aug 21	2.56	4.15	3.74
Howden	1.3	Oct 1	nil	21	1.58
M&W	int	Aug 21	1	2.25	2.25
P&P	0.71	Oct 5	1.33	4.33	4.33
Real Time	int	Oct 5	3	3	3
Securiguard	0.665	Sept 25	0.616	2.336	2.336
Securiguard	3.5	Aug 19	3.2	8.5	8.5
Security Service	1.394	Sept 25	1.291	4.488	4.488
Seehard	12.25	Oct 5	10.36	17.25	10.36
SEP Industrial	0.3	Oct 1	nil	0.2	0.2
SI	int	7.13	10.43	10.43	10.43
Yorkshire Elect	12.53	Oct 5	10.81	17.76	10.81

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Minimum 0.35p final forecast.

## Evans of Leeds advances to £8.52m

Against the industry trend, Evans of Leeds, the north of England-based property company, turned in a 6 per cent increase to £8.52m in pre-tax profits for the year to March 31. The rent roll improved from £16m to £18.3m.

"Despite the aura of doom and gloom surrounding the property industry we have once again increased profitability," said Mr John Humphries, chairman.

## Enlarged RPH falls to £82.1m

RPH, a wholly-owned subsidiary of Reed International, reported pre-tax profits of £82.1m from turnover of £483.8m in the year to end-March.

This compared with profits of £91.2m from turnover of £542.4m last time and was struck after a reduced interest charge of £10.6m (£12.7m).

Tax took £28m (£21.5m) after which earnings per share came out at 31.8p (41.1p).

During the year RPH acquired The Estates Gazette, Newport Publishing and What to Buy from Reed International. To finance these acquisitions RPH issued 14.6m ordinary shares at its parent.

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"Despite the aura of doom and gloom surrounding the property industry we have once again increased profitability," said Mr John Humphries, chairman.

Tax took £28m (£21.5m) after which earnings per share came out at 31.8p (41.1p).

During the year RPH acquired The Estates Gazette, Newport Publishing and What to Buy from Reed International. To finance these acquisitions RPH issued 14.6m ordinary shares at its parent.

Higher operating profits of £780,000 (£720,000) were offset by lower interest received of £412,000 (£479,000) resulting

in a net interest charge.



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Brighton  
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3i Group plc and 3i plc  
are regulated in the  
conduct of investment  
business by SIB



## INVESTORS IN INDUSTRY

3i defines investment  
capital as permanent  
and long-term capital  
in the form of share  
and loan investment in  
unquoted companies

Bristol  
Telephone 0272 277412

Cambridge  
Telephone 0223 420031

Cardiff  
Telephone 0222 394541

Edinburgh  
Telephone 031 226 7092

Exeter  
Telephone 0392 438834

Glasgow  
Telephone 041 248 4456

Guildford  
Telephone 0483 33131

Hull  
Telephone 0483 27066

Leeds  
Telephone 0532 430511

Leicester  
Telephone 0533 555110

Liverpool  
Telephone 051 236 3944

Maldstone  
Telephone 0622 685680

Manchester  
Telephone 061 839 3131

Milton Keynes  
Telephone 0908 668168

Newcastle  
Telephone 091 281 5221

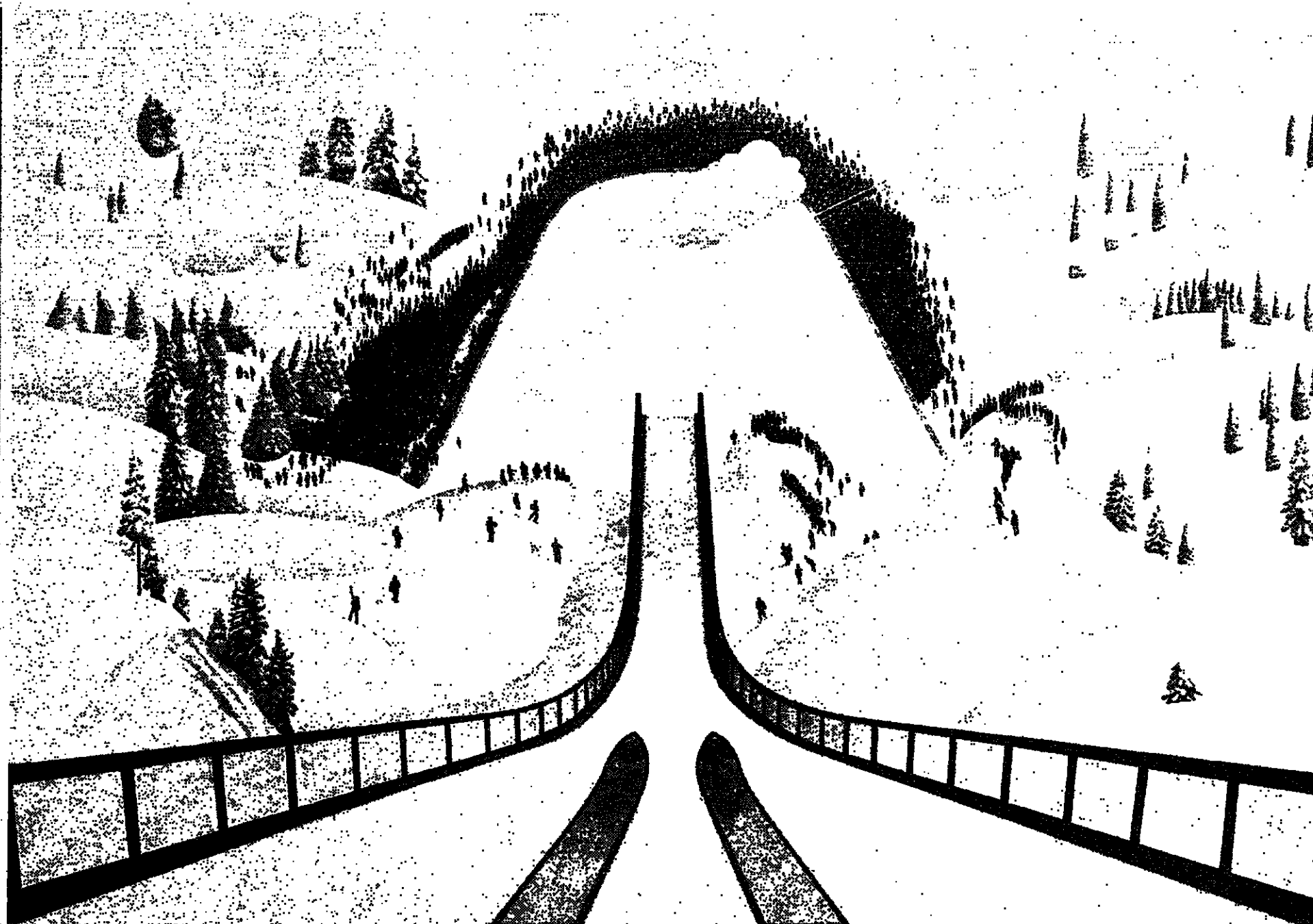
Nottingham  
Telephone 0602 412766

Reading  
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Sheffield  
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Southampton  
Telephone 0703 632044

Watford  
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# NOW DO YOU KNOW YOU CAN DO SOMETHING IF YOU'VE NEVER DONE IT BEFORE?

Whether it's a management buy-out, starting your own business or buying into another company, striking out on your own may seem daunting. But at 3i, we prefer to think of it as the greatest management challenge you could ever set yourself. And we believe there's never been a better time to do it than now.

At 3i, we feel that often the best time to invest is just before the upturn, and our 45 years of investing in business mean that we are able to recognise the signs. Right now, we can see that the economy seems to have bottomed out and there are excellent opportunities for managers with enough skill and determination to make the move to independence. Of course, such a move is not for the faint-hearted, but the combination of our long-term view and ability to share the risks of the venture with you can make your leap as successful as possible.

Going for it now means that you could be involved in the beginnings of business growth as it happens. At 3i, we aim to tailor investment capital packages to meet your individual needs. We can provide you with the capital and experience which help ensure that you will be in prime position to reap the greatest rewards of that growth. So why not look at us before you leap. Give your local 3i office a call.











**LONDON SHARE SERVICE**[illegible]



## INVESTMENT TRUSTS - Cont.

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	59
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**FT MANAGED FUNDS SERVICE**

● Current Unit Trust prices are available on FT Cityline. Calls charged at 38p/minute, cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128

Financial data table with columns for company names, share prices, and other financial metrics. The table is organized into sections, including 'OFFSHORE INSURANCES' and 'MANAGEMENT SERVICES'. The data is presented in a structured format, with company names listed on the left and their corresponding share prices and other financial details on the right.



● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

### MANAGED FUNDS NOTES

Prices are in Swiss francs unless otherwise indicated and these designated 5-year funds are referred to as U.S. dollar funds. All prices are for all buying orders. Prices of certain direct insurance funds may fluctuate to capital gains tax on sales in distribution from the U.S. See a Periodic Statement for more information. Single-asset funds are not available in Luxembourg as a UCITS (unless designed for collective investments in transferable securities). A 0.6% order commission is applied to all orders. The 0.6% commission is not included in the previous day's price. In Germany, gains are Surpassed. Value before January 1st 1991 is 1.00, which is applicable to comparable bonds. A 1% volume bonus (minimum 100,000 Swiss francs) is applied to all orders. The 1% volume bonus is not recognized. The regulatory authorities for these funds are Germany's Financial Services Commission, Ireland's Central Bank of Ireland, the U.K.'s Financial Services Commission, Jersey's Financial Supervision Commission, Luxembourg's Commercial and Industrial Department, Luxembourg's Institut











NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page



**NASDAQ NATIONAL MARKET**

Stock												Stock										Stock													
Div. P/E 100s High Low Last Chng												Div. P/E 100s High Low Last Chng										Div. P/E 100s High Low Last Chng													
ACC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	ACE	0.15	18	11	23	22	22	24	24	24	24	SEI Corp.	0.15	18	11	23	22	22	24	24	24	24	24	
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	14
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	14
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	14
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	14
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	14
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	14
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	14
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	14
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	14
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	14
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	AGC Corp.	0.16	72	40	837	324	131	414	31	14	14	14	14
AGC Corp.	0.16	72	40	837	324	131	414	31	14	14																									

## 4:00 pm prices July 7

[illegible]

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AMERICA

# Heavy program selling spurs decline in Dow

## Wall Street

US STOCK markets fell sharply yesterday on heavy program selling and continued investor uncertainty about the outlook for the economy and corporate earnings, writes Patrick Harverson, in New York.

At the close the Dow Jones Industrial Average was down 44.03 at 3,285.17, with the bulk of the losses incurred in the final hour of trading.

The broader based Standard & Poor's 500 moved in similar fashion, ending 4.57 lower at 498.17, while the Amex composite fell 2.32 to 380.28 and the Nasdaq composite 5.77 to 557.40.

Turnover on the NYSE was heavy at 220m shares and declines outpaced rises by 1045 to 681.

Ever since the Federal Reserve cut interest rates last week in reaction to bad employment news, the market has struggled to find a direction. Investors are hoping that the rate cut will trigger a rush of funds into equities, as happened the last time the Fed eased, in late 1991, but concern about the economy and second quarter earnings is keeping enthusiasm in check.

Among individual stocks, Georgia-Pacific fell 3 1/4 to \$55 in heavy trading after the

wood and paper products group issued a warning that its second-quarter results would be only slightly better than break-even and well below the \$33m profit it reported at the same stage a year ago.

Other paper stocks fell in sympathy, with International Paper dropping 2 1/4 to \$65 1/4, Louisiana-Pacific falling 1 1/4 to \$41 1/4 and Weyerhaeuser easing 3/4 to \$31 1/4.

Digital Equipment, bucked the trend, rising 3/4 to \$44 1/4 as investors bought the stock ahead of yesterday's expected overhaul of the computer company's product lines, which will include producing new machines for the mainframe market.

Other computer stocks opened firmer but fell on the late program sales, with Hewlett-Packard down 3 1/4 to \$83 1/4, IBM down 1 1/4 to \$96 1/4 and Motorola 1/2 weaker at \$75 1/4.

W R Grace fell 1 1/4 to \$32 1/4 in turnover of 1m shares after Lehman Brothers, the Wall Street brokerage house, reduced its rating on the stock from "outperform" to "neutral".

Motor stocks were mixed, despite news of lower oil prices, with Ford up 1/4 to \$42 1/4. General Motors unchanged at \$40 1/4 and Chrysler 3/4 lower at \$19 1/4.

American Health Products

plunged 2 1/4 to \$28 1/4 on the news that the company plans to divest certain psychiatric properties. Although the company said the divestment would not threaten its dividend, a writedown may be required.

On the Nasdaq market, Micrografx plummeted 3 1/4, or 43 per cent, to \$7 1/4 after the software company said that charges relating to a cancelled secondary stock offering and other non-recurring costs would mean that it will report only break-even per-share results for the fiscal first quarter.

## Canada

TORONTO stocks closed lower in active trading. According to preliminary data, the TSE 300 composite index fell 10.82 points, or 0.31 per cent, to 3,416.29. Declines led advances by 398 to 219. Trading volume of 30.8m shares was above Monday's 20.6m, and trading value was C\$361m compared with C\$242.6m.

Ten of the 14 stock groups closed lower. The industrial products group posted one of the day's biggest declines, off 1.17 per cent on index.

Energy and golds were down moderately, and financial services, mining, and consumer products were little changed.

EUROPE

# Lower dollar weighs on most bourses

ANOTHER plunge in the dollar, taking it down through DM1.50 in London, was blamed for falls on most bourses, writes Our Markets Staff.

FRANKFURT was disappointed that prices had failed to react to Monday night's compromise in Bonn on a 30 per cent withholding tax on interest income. But it took some comfort from the US treasury secretary, Mr Nicholas Brady, who inferred at the Munich G7 summit that the Bundesbank might cut interest rates soon.

The DAX lost 4.85 to 1,767.51 after an early loss of 10 points, and a fall of 3.10 to 697.36 in the FAZ at mid-session. Dealers said that the rebound might have been technical, as futures market traders were seen buying the 30 DAX shares to narrow the gap between the cash index and the DAX futures contract.

Siemens shed DM6 to DM6.67 after saying on Monday that it saw little room for a higher dividend on 1991-92 results. Chemicals also came under

FT-SE Eurotrack 100 - Jul 7									
Hourly changes									
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close		
1131.10	1129.10	1128.55	1128.36	1128.48	1130.00	1130.12	1129.83		
Day's High 1131.10					Day's Low 1127.93				
Jul 6	Jul 7	Jul 8	Jul 9	Jul 10	Jul 11	Jul 12	Jul 13		
1134.09	1134.19	1134.83	1134.36	1133.36	1133.30		1139.30		
Base value 1000 (20/10/90)									

Base value 1000 (pts/1000)

pressure from expectations of poor second-quarter results. Bayer leading the way down with a fall of DM2.60 to DM279.90.

Schering overcame the trend to close with a gain of DM9.40 at DM732.40 on talk that it was about to announce it had found buyers for its chemicals businesses.

ZURICH liked the Brady comments but not the higher dollar, and the SMI index closed 6.0 down at 1,855.6 after an earlier low of 1,850.3.

Nestlé bearers fell SF100 to SF79,460, dealers saying that there had been several major sell orders. Brown Boveri, also export-sensitive, lost SF40 to SF74,250 francs.

PARIS was given a late lift by the bond market but turnover remained thin, with only FF1.82m worth of business. The CAC-40 index finished 10.57 higher at 1,879.09 in quiet trading.

Alcatel Alsthom remained active, adding FF13 to FF654, while the lower dollar and fading hopes of an early economic recovery in the US prompted profit-taking in Rhône-Poulenc which dropped FF24 or 4 per cent to FF559.

Havas ended 60 centimes lower at FF496.90 with 215,000 shares traded, as two blocks were traded ahead of the July 15 expiry of a warrant issue. AMSTERDAM was knocked lower by some disappointing

company reports and the weaker dollar. The CBS Tendency index eased 0.5 to 121.7.

The office supplies group, Océ van der Grinten, shed FI 4.80 or 7 per cent to FI 64.70 after releasing poor second-quarter results. The food producer Nutricia fell FI 7.90 to FI 145.50 after its chairman said that recent profit growth would be hard to maintain.

MILAN got dangerously close to the support level of 420 on the Comit index as it fell 7.15 to 434.20 in turnover estimated at slightly more than Monday's low 172.1bn.

Dealers said that there were rumours of financial problems at various Sims, due to losses incurred in the bond market, which has fallen heavily on currency devaluation fears.

The recent rise in interest rates and the government's plans to freeze public tariffs weighed in particular on the telecommunications sector. Stet fell L26 to L1,629 and was down to L1,580 in the after-market. Sip lost L43.5 to L1,187.

OSLO ended mixed in thin trading, with Aker A shares gaining NKr2.5 to NKr54 on news the company had sold its stake in Spanish cement company. Valenciana, the all-share index ended 0.61 firmer at 397.71 in low turnover of NKr182m.

MADRID suspended Valenciana ahead of a takeover bid by Cemex of Mexico, reportedly at Ptas15,000 a share. Valenciana closed off Ptas350 at Ptas14,500 on Monday. The general index fell 0.45 to 336.28.

STOCKHOLM cited the weak dollar as the Affärsvärlden. General index fell another 0.7 to a new 1992 low of 894.4.

Trelleborg, the metals group, saw its B shares fall SKr4 lower at SKr106 while A shares in Asia, one of this year's top performers in Europe, fell SKr9 to SKr383 for an accumulated SKr14 loss this week.

TEL AVIV closed sharply higher in active trading on strong buying by mutual funds, the blue chip index rising 3.13, or 2.1 per cent to 153.09 in turnover of Shk37.5m.

ASIA PACIFIC

# Weak construction sector pulls Nikkei down

## Tokyo

RUMOURS of bankruptcy at a construction company listed on the over-the-counter market depressed sentiment, construction and real estate-related issues fell, and the Nikkei average declined for the third consecutive day, writes Emilio Terazono in Tokyo.

The Nikkei fell 197.52 to 16,559.55. Small-lot arbitrage buying pushed it up to a day's high of 16,709.86 in the morning, but jitters over the construction company then spread throughout the market, and the index fell to the day's low of 16,420.81 on mid-afternoon selling.

Volume remained low at 170m shares, rising marginally from 161m. Investment trusts, which had supported the market last week, were absent. Declines led advances by 708 to 211 with 173 unchanged, the Tox index of all first section stocks fell 15.39 to 1,571.55 in London, the ISE/Nikkei 50 index fell 2.87 to 956.57.

Concerns about financial problems at Royal Construction shook investors, as the Japan Securities Dealers Association suspended afternoon trading in the shares on the OTC market. After the market closed, Royal announced that it would seek court protection.

Investors were also worried over reports that Shuwa, the land and stock speculator and leading shareholder of Isetan, the department store, had used Isetan shares as collateral for loans.

Property-related issues and construction stocks plunged. Daijiko, the condominium builder, which had previously retreated on rumours of financial problems, fell Y47 to Y733, and Misawa Homes, which was recently sold on similar concerns, declined Y49 to Y961.

Leading construction companies fell, with Obayashi down 19 to 1,066.

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## SOUTH AFRICA

JOHANNESBURG fell as private investors sold out, unnerved by local political developments. The industrial index lost 68 to 4,367. The overall index was 55 lower at 3,544 and the gold index shed 19 to 1,066.

# Corruption allegations harm Brazilian equities

The political uncertainty has led to volatility and a drop in trading volume, says Bill Hinchberger

Sharp fluctuations, with diminishing volumes, have characterised the precipitate downward career of Brazil's equity market during last two months.

During a lull in the country's wounding political crisis, the index of the Sao Paulo Stock Exchange (Bovespa) recovered by 5.3 per cent on Monday, following a 6.2 per cent drop on Friday. By noon yesterday it gained a further 4.7 per cent to 22,387. However, it had fallen by 46.7 per cent in dollar terms between April 22 and June 30, sustaining its worst one-day fall of the year on Monday, June 29 with a drop in dollar terms of 15.8 per cent.

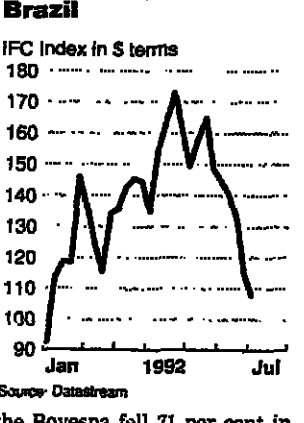
Volume, meanwhile, was \$33.9m on Monday, down from an already record low for the year of \$43.4m on Friday. Trading for the first days of July was 43 per cent lower than the same period in June, when volume had dropped by 19.3 per cent from May. Daily trading of \$100m, commonplace just a few months ago, is becoming a distant memory.

Since the last week of May, the malaise in the market has reflected allegations of corruption involving President Fernando Collor de Mello, either in the press or in the parliamentary inquiry into charges of influence peddling and other wrongdoing by Mr Paulo Cesar Farias, a businessman who was treasurer of Mr Collor's campaign.

Analysts are beginning to say that the ability of new revelations to shock the market may be wearing thin. The rise in the index on Monday came in spite of a new series of allegations in the press on Sunday.

"The effect of the headlines may be diminishing," says Mr Julius Buchenrode, director for investments of the local subsidiary of Chase Manhattan Bank.

However, investors who saw the market rise by 15.3 per cent in dollar terms in 1991, after a punishing crash in 1990 when the Bovespa fell 71 per cent in dollar terms, seem to be voting with their feet.



They may be waiting for a definition in the political scenario. The parliamentary commission is continuing its investigation, and some members of Congress are calling for Mr Collor's resignation. The president says that he will stand firm, which could lead to a debate on impeachment.

There is also uncertainty about the depth of the president's parliamentary support and the future of the economy minister, Mr Marcello Marques Moreira, if Mr Collor were to step down. Mr Moreira has become a symbol of stability to the business community.

"I'd say that everything is being contaminated [by the political situation], and you should not draw conclusions on any investment," says Mr Ken Baxter, general manager for foreign funds of the Bozano Simonsen bank.

With growing uncertainty, trading is becoming even more concentrated than before, even by the normal standards of the traditionally narrow bourse.

On Monday, Telebras, the public telecommunications company which makes up one-third of the Bovespa index, accounted for 94 per cent of volume; 90 per cent of trading was restricted to blue chip shares. Telebras rose by 10 per cent, and Companhia Vale do Rio Doce, the state-controlled mining group, by 4.7 per cent.

This concentration is reversing a trend evident before the political crisis: a move toward second-line equities, shares traditionally short on liquidity but in companies that are often industry leaders in Brazil. Traders disagree whether the current retrenchment is a response to current low prices for blue chips or if it reflects a search for greater security during the political upheaval.

The ability of foreign investors to adjust to uncertainty in the Brazilian equities market was improved by the National Monetary Council's announcement last week that foreign investors will be eligible to operate in the options and futures markets. Previously, the only hedge available to foreign investors, allowed to invest directly in Brazil since last year, was the foreign exchange market.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 7 1992										MONDAY JULY 6 1992										DOLLAR INDEX			
	US Dollar Index	Day's Change %	Pound Sterling Index	Yes	Yes	DM Index	Local Currency Index	Local % on day	Gross Div Yield	US Dollar Index	Day's Change %	Pound Sterling Index	Yes	Yes	DM Index	Local Currency Index	Local % on day	Gross Div Yield	1992 Low	1992 High	Year ago (approx)			
Australia (69)	147.06	-0.3	113.20	115.64	114.53	131.46	-0.2	4.16	147.53	114.52	116.10	116.05	131.78	153.68	140.94	142.53								
Austria (15)	173.08	+0.6	133.24	136.11	134.80	134.81	-0.3	2.17	172.05	133.55	135.40	135.94	135.21	198.70	162.48	175.82								
Belgium (42)	148.75	+0.4	114.51	116.96	115.85	115.85	-0.1	5.43	148.17	115.01	116.80	116.58	113.64	148.75	135.87	154.39								
Denmark (115)	127.10	-0.1	97.84	99.94	98.38	110.12	-0.4	3.29	127.20	98.73	100.10	100.05	110.33	127.20	145.37									
Finland (13)	245.63	+0.6	189.08	193.16	191.30	192.60	-0.3	1.82	244.07	189.45	192.08	191.99	193.12	273.94	226.81	243.01								
France (104)	79.15	+0.5	80.52	82.24	81.64	87.79	-0.6	2.08	78.78	81.15	82.00	81.97	86.18	88.80	73.64	83.38								
Germany (65)	164.80	+1.3	126.86	129.58	128.54	130.35	+0.3	5.34	157.73	117.78	119.41	100.05	110.33	127.20	145.37									
Hong Kong (55)	129.32	+0.4	96.55	101.70	100.71	100.71	-0.5	2.29	128.74	99.59	101.33	101.26	101.26	292.92	141.67	153.94								
Ireland (16)	249.94	-1.8	192.39	196.63	194.86	248.12	-1.8	3.30	254.47	197.52	200.26	200.17	252.64	259.55	176.36	163.19								
Italy (78)	158.33	-2.1	121.88	124.51	123.31	123.58	+1.4	4.32	155.01	120.32	121.99	121.99	123.89	173.71	151.78	142.02								
Japan (473)	66.80	-0.8	51.42	52.32	52.32	52.32	-0.8	5.34	157.73	117.78	119.41	100.05	110.33	127.20	145.37									
Malaysia (59)	241.74	+0.4	186.09	190.09	188.26	232.62	+0.3	2.89	240.89	186.99	188.57	188.48	232.03	250.15	212.49	228.70								
Mexico (18)	146.88	-0.5	1124.35	1148.78	1137.74	4978.21	-0.6	1.19	1486.13	1139.80	1155.40	1154.84	5005.78	1789.77	1355.22	1041.91								
Netherlands (28)	164.82	+0.6	126.86	129.58	128.54	130.35	+0.3	4.80	164.82	126.86	128.57	128.57	129.58	130.35	130.35	130.35								
New Zealand (14)	47.57	+0.9	36.62	37.41	37.05	46.39	-0.1	1.84	47.16	36.60	37.11	37.09	46.03	46.03	42.01	47.84								
Norway (20)	173.02	+0.7	133.19	136.06	134.75	135.03	-0.1	2.04	220.18	170.91	173.28	173.19	183.66	229.63	192.75	189.62								
South Africa (98)	219.10	-0.5	165.66	172.29	170.83	182.91	-0.5	2.50	203.42	162.55	164.80	164.72	180.74	263.90	203.16	243.09								
Spain (50)	208.91	-0.2	165.62	164.28	162.70	173.22	-1.4	5.34	157.73	117.78	119.41	100.05	110.33	127.20	145.37									
Sweden (20)	153.27	+1.0	117.98	120.53	119.37	109.96	+0.6	3.49	173.25	134.28	136.35	136.29	156.29	175.31	148.00	142.18								
Switzerland (83)	194.20	-0.1	149.49	152.71	151.24	155.82	-1.0	2.61	194.46	150.94	153.04	152.97	173.19	200.26	173.09	186.65								
United Kingdom (27)	113.20	+0.2	8	8	8	8	-0.2	2.27	113.87	8	8	8	8	8	8	8								
USA (523)	191.87	+1.7	147.70	150.68	149.41	147.69	+0.5	5.02	185.65	145.48	148.35	148.35	145.43	200.07	165.85	160.25								
	166.63	-1.1	126.27	131.04	129.78	166.63	-1.1	3.00	168.82	130.61	132.63	132.56	168.82	171.66	160.92	162.29								
Europe (771)	154.79	+0.1	119.16	121.72	120.56	120.44	+0.2	4.01	153.19	116.91	120.56	120.51	120.26	156.88	139.31	139.26								
Nordest 1002)	160.72	+0.2	139.11	142.11	140.74	138.49	-0.7	2.27	160.25	138.99	141.93	141.86	138.28	168.65	180.21	180.21								
North America (100)	126.13	+0.1	97.09	99.17	98.22	100.00	-0.1	1.45	107.87	97.83	99.47	99.43	96.37	141.97	94.40	95.41								
North America (100)	126.13	-0.1	97.09	99.17	98.22	100.00	-0.1	1.45	107.87	97.83	99.47	99.43	96.37	141.97	94.40	95.41								
North America (100)	126.13	-0.1	97.09	99.17	98.22	100.00	-0.1	1.45	107.87	97.83	99.47	99.43	96.37	141.97	94.40	95.41								
Europe Ex UK (100)	132.30	+0.6	101.84	104.08	103.06	104.89	-0.3	3.29	131.35	102.11	103.54	103.50	104.51	132.30	121.81	120.00								
Europe Ex UK (100)	132.30	+0.6	101.84	104.08	103.06	104.89	-0.3	3.29	131.35	102.11	103.54	103.50	104.51	132.30	121.81	120.00								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
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World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
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World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127.25	94.48	96.36	96.39	95.46	127.89	116.49	116.49								
World Ex. UK (195)	127.89	+0.1	96.27	98.34	96.84	100.57	-0.8	3.48	127															